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**THE PARADOX OF
POVERTY**

PORTUGAL 1980-1989

submitted by **Alfredo Bruto da Costa**
for the degree of PhD
of the University of Bath
1992

This thesis had the joint supervision of
the University of Bath and the University of Bristol,
under an arrangement that involved in equal terms
the two Universities.

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***"It is true that
good deeds are worth more than knowledge,
but it is indispensable to know before acting".***

(CHARLEMAGNE)

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SUMMARY

Portugal has a long tradition of concern for the poor, expressed in the form of individual attitudes as well as in terms of institutions and public policies. Yet, poverty persists on a large scale. This study attempts to contribute to the explanation of this apparent paradox, with especial reference to the 1980s.

Chapter 1 consists of a historical reflection, which tries to provide historical evidence of the general concern of society for the poor, highlighting the attitude of the Portuguese society towards poverty, since the early times of the foundation of the nation up to the present-day Portuguese society: individual attitudes and respective sources of inspiration, types of institutions set up to provide aid to the needy and the principles that guided their activity, the role of public authorities and the pattern of public policies. The chapter also looks for historical evidence about the approach to the problem of poverty underlying the efforts developed to tackle it, and establishes some comparisons between the Portuguese experience and contemporary experiences in other European societies.

Chapter 2 contains a critical survey of the concepts of poverty in the European societies, undertaken with the aim of choosing the concept that better suited the Portuguese context, for the empirical part of the study.

Chapter 3 discusses the theoretical and methodological aspects of the measurement of poverty and justifies the adoption of a mix of normative and inductive methodologies, the choice of consumption as the indicator for measuring poverty. Other relevant aspects discussed refer to the unit of analysis, updating poverty lines and equivalence scales.

Chapter 4 is entirely devoted to the estimation of poverty lines for 1980 and 1989, with the data from the Household Income and Expenditure Survey of 1980-81 and the Family Budget Survey of 1989-90, both conducted by the Institute of Statistics (Lisboa). Separate poverty lines are established for rural areas and urban centres, in 1980 and 1989.

The measurement and the analysis of poverty are presented in *Chapters 5 to 7*. Poverty is measured in the early and the late 1980s and the changes that occurred during the decade are highlighted. It is shown that it is preferable that the poverty threshold be defined in terms of a range, rather than as a line. The characteristics of poor households and the relation between lack of resources and living conditions are analysed.

Chapter 8 deals with the explanations of poverty in Portugal. The socio-economic characteristics of the poor are cross-analysed with the behaviour of relevant macro-variables during the 1980s. The chapter identifies some key-areas in which the causes of poverty lie, and provides evidence that the local component of the combat against poverty is necessary but not sufficient. In fact, an effective strategy to eradicate poverty or reduce it substantially demands macro-policies and changes in the socio-economic structures of society.

The final chapter -- *Chapter 9* -- puts emphasis on the type of policies and changes required to achieve a substantial reduction of poverty and stresses that past policies have not focussed on the causes of poverty (lack of resources) and have, primarily, aimed at mitigating deprivation (low living conditions). Hence the persistence of poverty in Portugal, in spite of the concern for the poor that society has revealed throughout centuries.

1. THE POOR IN PORTUGUESE SOCIETY

For centuries, since the foundation of the nation, the Portuguese society displayed considerable concern for the poor. This interest was translated not only into individual attitudes towards the indigent, but also into relevant institutional responses to deprivation.

Concern for the poor has been cited as a feature of Portuguese culture. For Frazão (1937), "The sense of goodness and love towards the unfortunate is an attribute of the Portuguese soul. It is not today's, nor yesterday's. It is from all times." (p.7). A more recent author, Maia (1985), stresses that the feeling of moral obligation of human solidarity towards the needy "dips solid roots in the individual and collective conscience of the Portuguese people" (p.17).

To what extent the practical responses of the Portuguese people to the needs of the poor were similar to, or distinct from, those of other European societies is not clear, for various reasons. Firstly, the influence of Christian principles and institutions in the social field was common to many European societies and these principles were the main source of inspiration for the commitment towards helping the needy, mainly during the Middle Ages. Secondly, assistance in Portugal was also influenced by the heritage of the peoples that occupied its territory -- namely the Romans, the Germans, the Arabs and the Jews --, as well as by the other countries with which those peoples had contact. Thirdly, the mutual influence of European societies certainly contributed to the development of common approaches in dealing with poverty. Indeed, Portugal always maintained multiple commercial relations with other European countries and did not lack people who were conversant with what was going on in the other nations of Europe (Correia, 1944).

However, this does not imply total uniformity in the approach and in practice throughout Europe. The differences concerned both theological and moral perspectives -- the Catholic on the one side and the Protestant, particularly the Puritan, on the other (Woolf, 1986; Tawney, 1966) --, as well the actual operationalisation of the common principles.

In what follows some of those aspects of the history of assistance in Portugal are presented, that are relevant to our theme -- in order to highlight its original elements. It is not our objective to do historical research, but only to provide some evidence about the concern in Portuguese society for the needy.

1.1. From the foundation of the nation to late fifteenth century

Territorially speaking, Portugal is the most ancient nation of Europe. The first monarch, Afonso Henriques, received the royal title in 1139. The frontiers with Spain were definitively established in the thirteenth century.

According to various authors, the first period of the history of assistance in Portugal goes from the birth of the nation up to the late fifteenth century (Ribeiro, 1907; Correia, 1944; Caetano, 1959; Maia, 1985).

Early enough, the problem of the poor entered into the realm of the concerns of the monarches. Since 1211, if not earlier, the monarch appeared as «*defensor pauperis*»: "Because it belongs to us [the King] to have compassion towards the weak and defend them from the powerful", said the preface of a legislative text of King Afonso II (1211-1223)¹ (quoted by Tavares, 1989). Not only was poverty considered a public concern, but also the protection of the weak was, to some

1. The years written into brackets following the names of kings refer to the beginning and end of their ruling periods.

extent, seen as having to do with defending them from (against) the powerful.

Nonetheless, in those early times of the Portuguese nation, given the pressure of the nobility, the "poor" could only actually choose between fear and revolt. The former demanded links of dependency as the counterpart to the protection of a master. Revolt meant change of profession and place, or led to the abandonment of home and land and, ultimately, to wandering and begging. Thus, the same Afonso II considered it as a task of the "good prince" to free the country from the "evil men", meaning those who did not have wealth or profession, or did not live with a master (Tavares, op.cit.).

Later, the role of the king as the supreme judge was more clearly associated with the objective of a more just society. Afonso III (1248-1279), would state that "it belongs to us to defend with Justice the poor of our domain against the powerful". The word "compassion" used by his predecessor was here replaced with "Justice" and "weak" with "poor".

It is interesting to note the apparent contradiction in the posture of the monarch. On the one side, the king belonged to the class of the "powerful", as distinct from the "poor". On the other, however, he publicly recognised as part of his role the task of defending the poor against the powerful. Thus, the injustices and abuses practiced by the powerful were condemned by royal statements and laws.

This ambiguity seems to confirm the idea that the Portuguese monarches intentionally avoided being identified with the nobility, as a means to preserve and underscore their royal authority. It is known that when the popular movements established the "municipalities", more than once the kings based on them their power in order to counter the power of the noblemen and the clergy. One of the most ancient written laws (dated 1211) took the defence of the weaker

against the nobility in very clear terms: "any free man (may) take as master whom he wishes... We establish this in order to ensure freedom, so that the free man may make of himself as he wishes. And should any nobleman try to impede, he be fined by five hundred *soldos*; and should he not correct himself at the third fine, he will be driven out of the Country and all the belongings will be confiscated" (as quoted by Saraiva, 1988, p.63).

Referring to medieval Europe in general, Woolf (1986) notes that "the 'pauper' was the antonym of the 'mighty' (*potens*), the 'armed' (*miles*), the 'citizen' (*cives*) and, increasingly, of the wealthy (*dives*)" (p.17). This dichotomy applies to Portugal: "The powerful and the poor formed the most ancient dichotomy that we find expressed" (Tavares, op.cit., p.23). Furthermore, the direct commitment of the monarches to the defence of the poor against the powerful seems to have been particularly emphatic in the Portuguese case.

Nevertheless, the poor lived under the oppression and fear of the "powerful" class. Until the fourteenth century, that dichotomy was true mainly of the rural areas. From the fourteenth century onwards, it expanded to towns. In the late fourteenth century, the poor were an object of particular concern in the labour laws.

As elsewhere, repression against the "false beggars" was one of the preoccupations of administrative measures with regard to poverty. Woolf (1986) notes that the distinction between *deserving* and *undeserving* poor dates back to the Justinian Code (year 529), though it fully emerged in the European scene only during the fifteenth century.

Already in the early thirteenth century, there prevailed, in the Portuguese society, the distinction between the "poor and the shamefaced", on the one hand, and the "false beggars and tramps", on the other. The tramps and the idle

belonged to the category of "evil men" mentioned in the above quoted law of Afonso II. For the poor who were unable to work, a network of services of individual assistance was set up all through the Middle Ages, including hospitals, hostels and fraternities. The "false paupers" represented the type of poverty that was detested and marginalised, since it was socially dangerous and a source of disorder, both in town and as well as in established social order. They were subject to penal sanctions. In the latter sense, poverty was close to marginality and, therefore, excluded from charitable assistance (Tavares, op.cit.).

The idea of a lonely individual was inconceivable in those times: each one should have a master or belong to a family or to an urban or rural household. Unless based on religious grounds, solitude could raise suspicion from the organised society and it was so much the more dangerous in the case of a woman. The father, the tutor, the husband or the brother were officially her social support, from whom she could only move away at high cost. Marriage was agreed upon by the families, without consulting the young woman concerned. Flight for marrying the man of her choice was not well accepted by the society. Poverty and marginality could be the extreme situations to which the breakers of the family structures were ultimately led (Tavares, op.cit.).

Poverty and solitude left the woman vulnerable to marginality. And this was a concern of the law. Presumably, rape was frequent. Hence the efforts of the monarches in punishing the rapist, although it was difficult to put the laws into practice. King Pedro (1357-1367) would condemn the rapist to death. However, the law fell short of the social reality, and the raped woman suffered opprobrium and abandonment, often falling into marginality, without job, security or status.

Public prostitution was, to a certain degree, accepted by the authorities. Nevertheless, King Dinis (1279-1325) would forbid the exploitation of these women by the towns that demanded the payment of a fee. And his wife, Queen

Isabel, provided them with aid and aimed at their social rehabilitation (Tavares, op.cit).

The first known law that aimed at combating vagrancy and begging by persons capable of work is the Law of *Sesmarias* (law on uncultivated land), passed by King Fernando in 1375. With the objective of avoiding land being kept uncultivated -- in order to overcome the shortage of some sorts of grain --, the law punished both the land-owners that, treacherously or due to negligence, did not cultivate their land, as well as the workers who escaped from work in the fields and preferred begging. The right to beg was acknowledged to the weak, the elderly and the sick, that could do nothing, as well the "shamefaced" (a word that included the indigent that had once been better-off) (Fernão Lopes, as quoted by Correia, 1944; Azevedo, 1990).

Opinions about the law of *Sesmarias* are not unanimous. Some praise it, while others consider that it only brought about meagre benefits. Others, still, see it as an example of "imitation of strange laws" adopted in the country without the adequate study of the problem and of the context, and of lack of technical training of those who were responsible for its implementation.

Nonetheless, it is interesting to note that the mentioned law, passed in 1375, established a *poverty line* based on annual incomes, under which the person could be considered as belonging to the mass of the poor. Complementarily, there was also what we could call a *destitution line*, used to define the «*nihil habentes*», those who possessed nothing (Tavares, 1989). Furthermore, it is also worth stressing that the law was not limited to combating unjustified vagrancy and idleness (though less severely than in countries such as England and Spain), but it also compelled the landlords of uncultivated fields to provide vagrants and idle persons with work.

The law of *Sesmarias* was but one of the measures implemented by the State in the field of "administrative assistance". Other such measures aimed at improving penal laws, avoiding inflation, building up infrastructures (fountains, bridges, roads, etc.), fostering navigation, combating usury, setting up professional associations, etc.. This effort highlights the fact that the State and the local authorities were also committed to combating or preventing poverty (Correia, op.cit.).

This period of history was characterized by a concern of the monarches for the poor, from the point of view of law and justice. However, the assistential activities were fundamentally private, even when supported or brought about by the royal family. Initially, the scope of the activity was confined to the poor known in the village or town. Later, it embraced the wanderer, the unknown beggar that travelled from place to place. The limitation of the role of the public authority to the field of justice and law seems to have been common to most West European societies, although in no other country do monarches seem to have assumed so active a role in defense of the poor against the powerful as in Portugal.

A certain understanding of the Bible engendered, during the Middle Ages, what has been defined as a "theology of poverty" (Tavares, op. cit.; see also Woolf, 1986). Poverty was related to salvation. To be poor was "a condition of grace", through the connotation of the "poor of Christ" (Woolf, 1986, p.17), or by comparison with the situation of Lazarus of the parable of Luke (Lk, 16,19), who lay at the gates of the rich man, covered with sores and longing to fill himself with what fell from the rich man's table, and received the eternal reward after death. This religious perspective influenced the attitude of the rich and of the society towards the poor in two ways. Firstly, the "true poor" deserved compassion and were the target of the so-called "works of mercy". Secondly, they were an instrument of salvation for the rich: helping the poor was seen as a means

of salvation of the rich. In this sense, it may be said that the poor had a "function" in society, although such a statement needs qualification.

In fact, this religious perspective is far away from the *functionalist* approach to the phenomenon of poverty, as developed namely by Gans². Woolf (1986) argues that there is a continuity, well into the nineteenth century, in the conviction that "charity should not be allowed to vault the gulf between ranks of a society or orders (or, subsequently, of a society based on wealth), but on the contrary should function as a reinforcement of the existing social order" (p.27). However, in the Portuguese case, there is no evidence that the practice of charity by the rich was motivated by such self-defensive criteria. It is true that the poor, namely the beggars and vagrants, were seen as a potential menace and a source of social unrest and that the charitable act did not put into question the existing social order. However, the reasons for such a limitation are to be sought not so much in the intentional and conscious selfish utilisation of the poor for the consolidation of the prevailing social order, as in the values and other cultural features of the society, with regard to property, social stratification and status, an understanding of poverty as a situation basically generated by the individual characteristics or behaviour of the poor, and the influence of all these factors in the interpretation of the Gospel.

It was not until the eleventh century that the donations developed a social function. From the twelfth or thirteenth century onwards, the material goods that belonged to convents, hermitages and churches were consigned to serve the most destitute.

It is beyond doubt that, during this period, in the Hispanic Peninsula, as throughout the Christendom, assistance was essentially inspired by the spirit of

2. For the fifteen sets of "functions" of poverty described by Gans, see, e.g., Townsend, 1979, pp.85-86.

Christian charity, as understood in those times (Correia, 1944; Basso, 1977). This is true also of Portugal.

Besides the general practice of charity -- by individual Christians, in monasteries and convents or in private or collective homes of the needy --, there was the practice of Medicine carried out by monks and secular priests, or by laymen many of which were Moors and Jews.

Just as the religious orders introduced the first educational activities in the country, the monasteries, sometimes surrounded by destitution, began to spread works of charity. This was one of the aspects common to many other European societies, such as France, Italy, Germany, Austria, England, Poland, etc. (Correia, 1944). Most of the donations and legacies given to monasteries and convents implied the obligation of assisting the destitute and offering lodging and shelter to guests and pilgrims. Many of the convents built by private individuals during the eleventh century were known as the «convents of the heirs», because next to them usually lived the founders and their heirs, with the obligation of lodging and giving alms to poor strangers and to the monks who served them. Similar assistance was provided at the residences of the bishops and at the cathedrals. It was also in the medieval times that Portugal saw its first infirmaries and hospitals, where the destitute were treated of their illness (Ribeiro, op.cit., pp.15-27).

The charitable and religious spirit of the queens, bishops, abbots and priors of monasteries and convents founded «albergarias» (inns) for travellers, who not seldom died along the roads, victims of assaults or due to lack of food and rest. These inns were also known as "hospitals", a word that was meant to refer to a place that provided "hospitality", and had no specific relation with illness.

Incidentally, the first promoter of such guest-houses was Queen Teresa, the mother of the first king of Portugal. Queen Mafalda, the wife of Afonso Henriques, followed the example of her mother-in-law. Other queens, princesses and noblemen continued or enlarged the institution established by Queen Mafalda (Ribeiro, 1907).

These "hospitals" had multiple functions, ranging from those that corresponded to the common hotels or guest-houses to institutions that offered different forms of hospitality, some temporary -- for travellers and the sick --, others for longer periods -- for the orphans, abandoned children, the poor and the elderly. There were special institutions for the lepers (leproseries) and for the elderly ("mercearias").

All these institutions were placed along the roadside, as also in Spain, France and Italy (Correia, 1944).

One of the aspects that Correia underscores and is relevant in the context of this study lies in the fact that, along with the institutional responses to the problems of the needy, there was a general concern by individuals. Christians -- inspired by the principle of charity translated in the so-called "works of mercy"³ - - as well as Jews and Moors -- the former influenced by the Old Testament and both under the influence of the rulers --, all considered charity and alms as an obligation. Correia (1944) explains: "Whether they were the servants of the houses of the powerful, including the kings, or invalids from war, wretched of any sort, hungry, thirsty, weary, desperate, etc., each one to whom they addressed themselves or who had knowledge of their misery tried to help them, according to their resources" (p.272; see also Ribeiro, 1907). Furthermore, it was

3. "Feed the hungry; give drink to the thirsty; cover the naked; cure the sick; redeem the captive and visit the imprisoned; lodge the pilgrims; and bury the dead." Besides these works, that engaged the clergy as well as the laity, there were other works, qualified as "spiritual", specially meant for the clergy.

not only a question of "material alms", but also a concern for "moral miseries".

The foregoing paragraph throws light on one of our basic assumptions, namely that the sensitivity to the needs of the poor concerned not only private agencies and public authorities but also the common individual. Historians mention lack of direct information about this aspect of assistance, due to its personal nature. Correia considers this shortcoming as inevitable: "there could not be a chronicler beside each needy or each benefactor, let alone the Christian precept according to which the value of alms is greater when given in a hidden way" (Ibidem). Referring to Europe in general, Stuart Woolf (1986) also refers to the "informal self-defensive mechanisms (of neighbourhood, kin and other such networks familiar to the social anthropologists) which undoubtedly existed in the countryside but have left barely perceptible traces in the documentation" (p.20).

In general, it may be said that, in medieval Portugal, deprivation resulted from the three classical causes: *plague*, *famine* and *war* (Correia, op.cit.), causes that were common to West European societies (Woolf, op.cit., p.8).

The word "plague" did not refer to any specific disease. It was a general name for contagious diseases with high death rates. During the period from the twelfth century to the sixteenth, Portugal was hit by various epidemics that generated misery. On the other hand, there was no epidemic or war that was not followed by famine, either due to migrations or to temporary or permanent incapability to work. Other well known causes of famines were the storms and earthquakes. History records five famines during the first four centuries of the nation. Finally, the war, which was the "rule" during the medieval times. Correia notes that between the twelfth century and the sixteenth, few years were exempt from war or civil struggles (op.cit., p.252).

With regard to the three afore-mentioned causes of poverty in Europe,

Woolf (1986) refers that, in the late Middle Ages, "to escape famine, plague or military foray, the peasants fled from the countryside" and, as a consequence, "At times of famine, the numbers of the poor dependent on charity in the city would suddenly swell out of all proportions" (p.8). This does not seem to have happened in the case of Portugal, however, due to lack of means of transport and communication.

Insofar as poverty had its causes in those three factors and struck not only individuals but whole communities or regions, it would seem clear that it could neither be seen as "an ascribed status", nor as mere "vagabondage", nor even as "an individual problem of physical subsistence attributable to the individual's personal failings". Nevertheless, those were the ways in which it was actually understood, respectively in the feudal societies, in the aftermath of the collapse of feudalism and from the mid-seventeenth century to the beginning of the twentieth (George, 1973, p.1). However, it should be noted that, although those three causes were major causes of poverty during the Middle Ages, there were other factors, directly related with the structure of the society, as already mentioned earlier, that contributed to the generation and persistence of poverty in Portugal.

Among the various institutional forms of assistance in medieval Portuguese society, the most ancient seem to be the occupational guilds. Although the Roman "collegia" and the Scandinavian and German "ghildes" are comparatively recent, these occupational associations are known to have already existed in the Ancient Ages. These institutions looked after professional interests (prestige of their respective professions, technical training, etc.), and helped the members when in need (Correia, op.cit.).

Another type of institution concerns the «confrarias» (confraternities), associations that seem to have spread over Europe from the ninth or the tenth century. Though sometimes identified with the guilds, the confraternities had a

different nature. Their role was essentially to provide assistance and was not always limited to a single profession. While the guilds were mainly concerned with the rights of their members and with mutual help, confraternities emphasised mainly duties (of assistance, charity or piety) either towards the members of a particular profession (when limited to the professional sphere) or towards the needy in general, whoever he or she might be.

The confraternities more directly related with assistance in Portugal have Christian roots, as was the case in Spain, France, Germany and specially in Italy, a country with which Portugal had close relations of a commercial as well as a religious order. Assistance to the poor, the sick and the dying was among the ideas that gave rise to these voluntary associations of Christian citizens. In Portugal, they appeared not later than the twelfth century, initially engaging religious persons, but later extended to lay people.

The number of confraternities established during the Middle Ages is not known. It is admitted that they would make up some hundreds. Their objectives were not all identical. The simplest were concerned with mutual help. However, most of them had multiple aims: mutual aid, charity towards the most needy, prayer and the cult of the dead. In general, charity was not confined to occasional alms or food distribution. It also had a permanent character, by the maintenance of hospitals and guest-houses, as well in the form of aid to members or their direct relatives that had fallen into poverty. Charity was not only directed towards the unknown poor. It was primarily concerned with mutual aid and assistance in deprivation or physical or moral suffering undergone by a member of the fraternity or his close relative. The sick fellow-member was visited during day and night by his "brothers", designated by turns. In some cases, solidarity led to the substitution of the sick member at work, in order to avoid that he and the family should fall into poverty. Similar aid was provided in case of imprisonment or loss of belongings due to blameless fire or other calamity.

The four main types of institutions were the «hostels», mainly for the pilgrims, «hospitals» (often beside the «hostels»), «leproseries», (sometimes not only established by the kings but also managed by their delegates -- perhaps the first signs of the emergence of public assistance), and «mercearias», mainly for persons that were considered "honourable and poor" (Neto, 1989, p.234). The first «mercearia» was established by force of the will of king Afonso IV (1325-1357), in which mention was made of a "hospital" where poor men and women could live permanently (Ribeiro, 1907, p.39).

All those assistential and charity associations had their own resources. Their constitutional texts expressed their concern for financial self-sufficiency. The resources came from various sources: donations, offerings, fees, etc..

From the twelfth century through to the fifteenth century, numerous institutions were set up, with the objective of mitigating economic deprivation and protecting the orphans, the widows, the sick and the disabled. These institutions arose by the initiative of the wealthy nobility, the clergy, religious or military orders, fraternities and professional associations. As noted above, not infrequently, the monarchs themselves were at the origin of such institutions. The importance of these institutions is furthermore revealed by the fact that the frequent abuses brought about disciplinary action by the Royal power (Maia, 1985).

Still in the fifteenth century, a major reform of assistance would take place in Portugal, as described below.

1.2. From King João II (1481-1495) to early nineteenth century

In the general European context, major institutional changes took place in the early sixteenth century, continued until the early nineteenth century and, after a pause, were resumed at the turn of the century, with a "generalized state action" (Woolf, 1986, pp.20-21). In Portugal, the changes in the direction of enhancing the role of the state were launched in the late fifteenth century.

As mentioned in the previous section, the type of charity exercised during the Middle Ages was ultimately motivated by a mixture of a sense of moral obligation and the objective of salvation of the giver. This second period saw the emergence of large assistential institutions in which **the role of the State tended to replace or control that of the private initiative**. At the same time, there emerged a concern for other types of the needy: orphans, widows, women that "went astray", the abandoned (Neto, 1989, p.235).

It was in the fifteenth century that the assistance offered by hospitals and guest-houses was understood as a function of the royal power. This perspective was implemented by João II (1481-1495) by setting up the *Hospital Real de Todos-os-Santos* (Royal Hospital of All Saints), in Lisboa, to which the belongings of all the hospitals and guest-houses that existed in the town were attached. His successor, King Manuel, would later put together in a single municipal central hospital the incomes of all the previous assistential institutions (Tavares, op.cit.; Neto, op.cit.).

Originally, the sick were not the privileged group of such assistance, except when sickness was of the type that led to poverty. This was the case of the blind, the lame, the crippled, the disabled, the paralytic, i.e., of those who were incapable of work, including the elderly. It was only in the late thirteenth century that the hospitals dealt specifically with the sick (Tavares, op.cit.; Basso, 1976).

The growth of the numbers of the poor from all the social classes led the monarchs and private individuals to take interest in those who, having had belongings, had fallen into poverty. Thus, during the fourteenth century there was a dissemination of «*mercearias*» as a form of assistance for the needy that, due to their social status, could not beg -- it was the so-called "shamefaced poverty".

In the late fourteenth and early fifteenth centuries, many of these assistential institutions had gone into decay, for three principal reasons: economic and monetary crisis, together with a demographic crisis and wars; bad management or abusive expropriation of goods and incomes by the most highly responsible persons of the institutions; undue occupation of these charity homes by the royal train of attendants, justice officers and prisoners (Tavares, op.cit.). These factors, together with the unsatisfactory response of the institutions to the needs of the poor and the sick, had led João I (1385-1433) to intervene in the designation of the heads or managers. However, only towards the end of the fifteenth century would the king promote the establishment of large hospitals or the merger of smaller units. It was in the aftermath of this perspective that João II established the Hospital Real de Todos-os-Santos, already mentioned, which represented a major change in public assistance policy.

Towards the end of the fifteenth century, the low efficiency and the extreme dispersion of assistential activities called for a global reorganization of the social protection framework. Moreover, by that time, the overseas expansion had begun to give rise to considerable numbers of orphans, widows, handicapped, beggars and sick. Leprosy was steadily increasing; the attraction towards sea travels diverted able-bodied men from agriculture and commerce; frequent long-term absences and even deaths in the overseas territories often generated a special type of poverty that hit the wives, the children and the invalid parents of the sailors -- a group of the poor to whom the existing institutions were of little or no

help (Correia, op.cit.; Maia, 1985).

Ribeiro (1902) provides impressive highlights of the contradictions that Portuguese society presented in the early Renaissance: "With the adventurous time of maritime discoveries, arose that extremely glorious epoch that (...) in Portugal marked the golden period of our sovereignty, the climax of luxury, of artistic refinement, of greatness in all its various manifestations (...). The maritime discoveries, with their excellent results, were not the only factor that raised the moral and material level of our small country. Other elements, not less important than those, contributed to give us, in those times, a relevant position among the most cultured nations of Europe.

"(...) In that epoch, Lisboa had proportions of one of the most important cities of Europe. Ships and travellers from all countries converged to Lisboa, looking for the so much desired and sought products of the East, brought by our sailors, and thus, to this rapid growth of the permanent and fluctuating population corresponded all the evils and advantages that modern economists have pointed out as a forced consequence of huge human groups" (pp.3-6).

Ribeiro explains that amidst the human wealth brought about by the "outstanding development" achieved by the economic and intellectual movement, there were the miseries. The noise of the great emporium attracted the hungry and the needy from all over the kingdom. Hence the famines that broke out in the capital city and later spread over the country. No care was taken of public health, agriculture, individual security or of the administration of public finances.

In a book published some years later (1907), the same author would refer to those days in the following terms: "The picture that Portuguese society presented in that epoch was indeed extraordinary; the glories brought about by the development of shipping, discoveries and conquests had as an alarming reverse

the public destitution that, helped by the epidemics, devastated the kingdom" (p.67).

It was upon such a background that Queen Leonor undertook the first reform of social protection in the country, in the late fifteenth century. In the context of this reform, the Queen founded the first "*Irmandade da Misericórdia*" (Confraternity of Mercy), in Lisboa, in 1498.

The *Irmandades de Misericórdia* expanded both in scope, as they integrated the existing institutions of social protection, as well as geographically, spreading very rapidly throughout the country and abroad, in Brazil, Argentina, India, Macau and Africa. It is estimated that in the early sixteenth century there were 61 such institutions. Today, their number exceeds 350 (Maia, 1985).

The activity of these new institutions was inspired by the "*works of mercy*" and based on the sole criterion of *need*. Thus, it generated, in the society at large, a sense of moral obligation of contributing to their objectives. Correia (1944), notes that in order to fulfil its vast programme, the Confraternity of Misericórdia had not only the effort, the commitment and the good will of its members, but also "the charity of all the people" (p.569).

To what extent the idea of the "*Irmandade de Misericórdia*" was original or entirely new in Europe, or even in Portugal, seems still debatable. What remains beyond doubt is that the foundation of the first *Misericórdia* is a landmark in the history of assistance in Portugal. For Caetano (1959), the establishment of the *Misericórdias* represents "the end of a process that developed throughout the Middle Ages" (p.52). And Ribeiro (1902), in his vivid -- albeit exaggerated -- style, compares the achievements of Vasco da Gama, Francisco de Almeida⁴ and Afonso de Albuquerque⁵ with the foundation of the Misericórdia of

4. First viceroy of Portuguese India.

Lisboa⁶. The former, he writes, "produced grand and more or less lasting results, but from these all that reached us is the *human science* derived from the maritime discovery. All the rest (...) collapsed, all passed away (...)". However, the foundation of the *Misericórdia of Lisboa* generated "a social fact of much greater and more lasting importance, perpetuated along the centuries with the applause of generations" (p.37).

The reorganization undertaken by Queen Leonor launched a period of substantial expansion of private institutions of social assistance, among which the "*Misericórdias*" -- as the *Irmandades de Misericórdia* were later known -- had a prominent role. The latter expanded throughout the seventeenth century, both geographically as well as functionally, absorbing local hospitals and old assistance institutions that struggled with enormous financial difficulties. During the following century, the *Misericórdias* had a growing role in the management of the majority of the Portuguese hospitals. Some of them had diversified their activity to the extent of granting loans to Agriculture⁷.

The «orphanages» already existed in the thirteenth century. However, it was during the seventeenth century that they became widespread (Neto, op.cit.).

The history of the *Misericórdias* is clear as to the source of inspiration of these fraternities: the Christian principle of charity, as expressed in the *works of mercy*. The text from Mt.25, 31-46⁸ has been mentioned as the basic reference.

5. Second viceroy of Portuguese India. Was known as "the Great".

6. The comparison is particularly relevant since the foundation of the *Misericórdia of Lisboa* and the arrival of Vasco da Gama in India took place in the same year (1498).

7. This fact led some authors to consider Portugal as the first European country to establish a credit system for Agriculture.

8. 'When the Son of man comes in his glory (...), then he will take his seat on his throne of glory. All nations will be assembled before him and he will separate people one from another (...). Then the King will say to those on his right hand, "Come, you whom my Father has blessed, take as your heritage the kingdom prepared for you since the foundation of the world. For I was hungry and you gave me food, I was thirsty and you gave me drink, I was a stranger and you made me welcome, lacking clothes and you clothed me sick and you visited me, in prison and you came to see me. (...) In truth I tell you, in so far as you did this to one of the least of these brothers of mine, you did it to me (...)". Then he will say to those on

The members of the fraternities are motivated by the spirit of service to the needy. Furthermore, the members did not all belong to the wealthy classes. And the "functionalist" aspect that was mentioned with regard to the medieval institutions does not seem to have played a role here.

Until the nineteenth century, social assistance in Portugal was based on private charities, directly or indirectly supported by the monarch. This was a period during which two apparently contradictory movements took place: on the one hand, the integration of small units into larger institutions, under the supervision of the State; on the other, a new development of private activity, mainly by the *Misericórdias*. Basso (1977) helps us understand the apparent contradiction by pointing out that "to avoid the inconveniences of bad management, measures were taken to ensure the orientation and control by the State, but the care, protection and support from the public authorities were enhanced, without hindering (...) the private initiative and work and without underestimating or offending the independence of the private institutions". This seems to have been the general policy throughout Europe. Indeed, referring to the growth of the municipal initiative, Woolf (1986) notes that all historians of charity have stressed how that growth "supplemented and co-ordinated rather than replaced the earlier medieval foundations" (p.19).

1.3. From the early nineteenth century onwards

The Constitution of 1822 established that the Houses of Parliament and the Government would look "with special care" after the foundation, conservation and enlargement namely of the *Misericórdias* and "any other institutions of charity".

his left hand: "Go away from me (...). For I was hungry and you never gave me food, I was thirsty and you never gave me anything to drink (...). In truth I tell you, in so far as you neglected to do this to one of the least of these, you neglected to do it to me."

A similar approach was adopted by the Constitutional Charter of 1911. However, the basic attitude towards poverty emphasised non-intervention by the State, lest such intervention do more harm than good (Miranda, 1985).

With the emergence of the "liberal" Governments (1834), assistance was considered as one of the functions of the administration of the State (Neto, op.cit., p.235), and a series of measures followed this direction. Some of these measures represented a strong blow against the private institutions and launched a period of crisis in the relations between them and the State, that lasted for about a century. The abolition of the religious orders, in 1834, and particularly the implementation of the so-called laws of «desamortização» of 1886 (that compelled the private institutions to sell their belongings in disadvantageous conditions) brought about the progressive decline of those institutions. In the meanwhile, Portuguese society was undergoing important changes brought about by the first steps towards industrialization, the growing organisation of the labour movement, the deterioration of living conditions in the main urban centres and rising social tensions. In such a context, the development of public action appeared as a necessary response to the limitations of private activities (Maia, 1985).

In the meanwhile, in the early nineteenth century associations of mutual help, based on occupational affinities, began to emerge, with the progressive development of a more general initiative of the workers. Until the end of the century, however, the effectiveness of the activity of these associations was very low, mainly due to the low wages of its members and, consequently, of the financial resources available. The growing discontent of the working classes towards the end of the nineteenth century and the beginning of the twentieth gave rise to the development of more effective forms of social protection, a compulsory social assurance scheme and, ultimately, the present social security system.

The deep social changes that occurred in Europe during the nineteenth and

the early twentieth centuries, together with the intellectual movements that developed during that period had their influence in the drawing up of the Portuguese Constitution of 1933, which declared that it belonged to the State not only to "look after the improvement of the conditions of the most disadvantaged classes, avoiding that they fall below the minimum of a humanly sufficient existence", but also to lead to the "free access of all classes to the benefits of civilization" (Miranda, op.cit.).

It was not until 1944 that the first «statute of social assistance» was published, in which the role of the State was confined to orientation, promotion, tutorship and inspection of the assistential activities, being suppletive in what concerned direct delivery of assistential services. On the other hand, social assistance appeared as complementary to the existing social security system, as it would provide social protection to citizens that were not covered by social security and would be in charge of the case studies for the means-tested benefits (Maia, 1985). In the words of Maia (op.cit.), the law showed that "those activities should, in general, be placed under private responsibility and initiative, the enhancement of which was foreseen, based on the experience of the centuries-old tradition of those institutions in Portuguese society" (p.21). In practice, however, social assistance persisted at notoriously low levels of efficiency and the coordination between assistance and social security showed no real progress.

The period that followed the Revolution of 1974, saw an initial strong emphasis on the role of the State, largely confirmed by the first Constitution that followed (adopted in 1976). However, this approach would soon be blocked and reversed by policies that were implemented to confront the economic crisis of the 1970s and the crisis of the welfare state that affected most of the Western democracies and, furthermore, by the progressive enhancement of the role of the market.

Nonetheless, some basic ideas seem to emerge as signs of lasting progress. Such is, for example, the case of the principle of non-contributory benefits, for those citizens who are not covered by the general social security system. Though notoriously meagre in its practical consequences, that principle may be considered as potentially relevant, insofar as it goes beyond the concept of labour relations as the sole source of social security rights and recognises rights based on mere citizenship associated with needs.

In what concerns the means of dealing with poverty, the present institutional set-up comprises two basic components: on the one side, the public social assistance delivered by a network of social security regional centres; on the other, the private non-profit making sector, made up of Misericórdias and other private institutions, all substantially financed by the Government. The approach to poverty -- its understanding and the ways of dealing with it -- are basically similar in either case.

The general optimism of the 1950s, about the automatic effects of economic growth on poverty is well known. So is the new awareness about poverty from the late 1950s onwards and, more impressively, since the world crisis that broke out in the mid 1970s. Stuart Woolf (1986) notes that "Twenty years ago, to insist on the survival and indeed generation of poverty amidst affluence generally aroused indifference or disbelief among the public, with the exception of social administrators, welfare workers, some social scientists -- and the poor themselves" (p.1). Portugal did not share in the affluence of the post-war period and the "survival" of poverty was a visible reality, in spite of the optimistic expectations of some economists and policy makers about the positive effects of economic growth on poverty. Nevertheless, the attitude of the public in general with regard to poverty seems to undergo change in the direction of a progressive detachment from any kind of commitment or sense of obligation towards the poor, with the consequent weakening of the "moral society" that

fostered a general atmosphere of solidarity that existed in the past. Four main reasons may be mentioned for this change.

Firstly, the fact that, although relatively far from the levels of "affluence" of the more industrialised countries of Europe, the Portuguese society developed the *basic culture of the welfare state*, including the idea that poverty is a problem that has to be handled by the Government and/or by organised agencies and institutions (heavily financed by the State). Hence, the weakening of the sense of individual responsibility of the citizens towards the poor. Secondly, the persistence of poverty seems to have aroused a fatalistic attitude that in the public opinion. Poverty appears as inevitable and, therefore, a "normal", perhaps temporary, element of society. This need not, by itself, imply indifference towards the hardship of the poor, but generates the idea that all that can be done is to mitigate the "misfortune".

Thirdly, there is a rather widespread suspicion about the "authenticity" of poverty in society. Poverty is often understood by the common non-poor citizen as a result of personal faults or vices of the poor himself. Therefore, the poor alone is responsible for overcoming the problem. Clearly, this is not the opinion of the low-income persons, among whom not more than 4 per cent consider that it belongs to the poor themselves to solve the problem. The large majority (75 per cent) considers that the eradication of poverty is a task of the Government (Bruto da Costa, A. and M. Silva (Coords.), 1985).

Finally, the recent emergence of the "consumer culture" also contributes strongly to weaken sensitivity to the hardship of the poor. Insofar as it legitimates that higher priority be attached to the pursuit of ones own *preferences* than to the unmet *needs* of the poor, the "consumer culture" affects the very idea of justice, in its moral and political aspects. This strongly influential cultural element -- that is attracting increasing portions of the younger generations, in spite of the critical

voices that may be heard in this respect -- threatens to change substantially the general attitude of the public towards the poor.

In many aspects the events in Portugal were surprisingly similar to those that occurred in other West European countries, a fact that seems to confirm the idea of close contacts and mutual influence between them. However, some differences may also be identified, which seem to reveal a greater openness of Portuguese society towards the poor, even in comparison with countries such as Italy, that followed similar approaches towards the problem.

1.4. Conclusions

This chapter was not intended to provide a comprehensive description of the policies, institutions and activities that dealt with the problem of poverty, throughout the centuries, in Portugal. Nor did it aim at discussing the secular trends of the meanings and patterns of poverty in the country. Its only objective was to seek historical evidence that *the concern for the poor, however understood and expressed in practice, appears as a persistent element of Portuguese society, from the early times of the foundation of the nation.*

In many aspects, the events in Portugal, in this area, were surprisingly similar to those that occurred in other West European countries. However, some differences may also be identified, concerning both theological and moral perspectives -- the Catholic on the one side and the Protestant, particularly the Puritan, on the other --, as well as the actual operationalisation of the common principles. On the other hand, the Portuguese society seems to reveal a greater openness towards the poor, even in comparison with countries such as Italy, that followed similar approaches towards the problem.

As in the medieval Europe in general, *pauper* was the antonym of the *mighty*. This is the most ancient dichotomy that we find in the Portuguese society. And already since 1211, if not earlier, the monarch appeared as «*defensor pauperis*». Not only was poverty considered a **public concern**, but also the protection of the weak was seen as having to do with **defending them from the powerful**. Later, the role of the king was more clearly associated with the objective of a **more just society**. Though himself a member of the class of the "powerful", the king considered as part of his role to defend the poor against the powerful and the commitment of the monarches to this task seems to have been particularly emphatic in the Portuguese case.

Nevertheless, the poor lived under the oppression and fear of the "powerful" class. In those times, each one should have a master or belong to a family or household. Unless based on religious grounds, solitude could raise suspicion, so much the more in the case of a woman. Poverty and marginality could be the extreme situations to which the breakers of the family structures were ultimately led.

The old distinction between *deserving* and *undeserving* poor, that would fully emerge in the European scene during the fifteenth century, was introduced in Portugal in the thirteenth century. For the poor who were unable to work, a network of services of individual assistance was set up all through the Middle Ages. The "false paupers" represented the type of poverty that was detested and marginalised (as socially dangerous and a source of disorder), were subject to penal sanctions and excluded from charitable assistance. In this sense, poverty was close to marginality.

The first known law that aimed at combating vagrancy and begging by persons capable of work was the law of *Sesmarias* (on uncultivated land), passed in 1375. It punished both the land-owners that, treacherously or due to

negligence, did not cultivate their land, as well as the workers who escaped from work and preferred begging. The right to beg was acknowledged to the weak, the elderly, the sick and the "shamefaced".

The period that goes from the early twelfth to the late fifteenth centuries was characterized by a concern of the monarches for the poor, from the point of view of law and justice. However, the assistential activities were fundamentally private, even when supported or brought about by the royal family. Nevertheless, various measures of "administrative assistance" illustrate that the State and the local authorities were also committed to combating or preventing poverty.

The religious perspective influenced the attitude of the rich and of society towards the poor in two ways: firstly, the "true poor" deserved compassion and were the target of the "works of mercy"; secondly, they were an instrument of salvation for the rich: helping the poor was seen as a means of salvation of the rich.

It has been argued that there was the conviction that charity should not be allowed to bridge the gap between the rich and the poor and should on the contrary reinforce the existing social order. In the Portuguese case, there is no evidence that the practice of charity by the rich was motivated by such self-defensive criteria. It is true that the poor, namely the beggars and vagrants, were seen as a potential menace and a source of social unrest, and that the charitable act did not put into question the existing social order. But the reasons for such a limitation are to be sought not so much in the intentional and conscious selfish utilisation of the poor for the consolidation of the prevailing social order, as in the values and other cultural features of the society, with regard to property, social stratification and status, the understanding of poverty as basically generated by the individual characteristics or behaviour of the poor, and the influence of all

these factors in the interpretation of the Gospel.

Just as the religious orders introduced the first educational activities in the country, the monasteries began to spread works of charity, and similar assistance was provided at the residences of the bishops and at the cathedrals. Moreover, along with the institutional responses to the problems of the needy, there was a general concern by individuals. Christians, Jews and Moors, all considered charity and alms as an obligation.

A new historical period was launched by a major reform of assistance in the fifteenth century. This period saw the emergence of large assistential institutions in which the role of the State tended to replace or control that of the private initiative. The assistance offered by hospitals and guest-houses was now understood as a function of the royal power.

In the late fourteenth and early fifteenth centuries, many of the assistential institutions had gone into decay, leading the monarch to intervene in the designation of the heads or managers. Towards the end of the fifteenth century, the low efficiency and the extreme dispersion of assistential activities called for a global reorganization of the social protection framework.

It was upon such a background that Queen Leonor undertook the first reform of social protection in the country, in the late fifteenth century. The Queen founded the first "*Irmandade da Misericórdia*" (Confraternity of Mercy), in Lisboa, in 1498. The first *Misericórdia* is a landmark in the history of assistance in Portugal. It is estimated that in the early sixteenth century there were 61 such institutions. Today, their number exceeds 350.

The activity of these new institutions was inspired by the "*works of mercy*" and based on the sole criterion of *need*. Thus, it generated, in the society at

large, a sense of moral obligation of contributing to their objectives. In order to fulfil its vast programme, the Confraternity of Misericórdia had not only the effort, the commitment and the good will of its members, but also the charity of all the people.

Until the nineteenth century, social assistance in Portugal was based on private charities, directly or indirectly supported by the monarch. In order to avoid the inconveniences of bad management, measures were taken to ensure the orientation and control by the State, but the care, protection and support from the public authorities were enhanced, without hindering the private initiative and work and without underestimating or offending the independence of the private institutions.

The Constitution of 1822 emphasised non-intervention by the State. However, with the emergence of the "liberal" Governments (1834), assistance was considered as one of the functions of the administration of the State and a series of measures followed this direction. Some of these measures launched a period of crisis in the relations between the private institutions and the State, that lasted for about a century. The abolition of the religious orders, in 1834, and particularly the implementation of the so-called laws of «desamortização» of 1886 brought about the progressive decline of those institutions. In the meanwhile, Portuguese society was undergoing important changes brought about by the first steps towards industrialization, the growing organisation of the labour movement, the deterioration of living conditions in the main urban centres and rising social tensions. In such a context, the development of public action appeared as a necessary response to the limitations of private activities.

In the early nineteenth century associations of mutual help, based on occupational affinities, began to emerge, with the progressive development of a more general initiative of the workers. Until the end of the century, however, the

effectiveness of the activity of these associations was very low, mainly due to the low wages of its members and, consequently, to limited financial resources. The growing discontent of the working classes towards the end of the nineteenth century and the beginning of the twentieth gave rise to the development of more effective forms of social protection, a compulsory social assurance scheme and, ultimately, the present social security system.

The Constitutional Charter of 1911 stressed, once again, the principle of non-intervention by the State. Later, influenced by the deep social changes that occurred in Europe during the nineteenth and the early twentieth centuries, the **Constitution of 1933** declared that it belonged to the State not only to "look after the improvement of the conditions of the most disadvantaged classes, avoiding that they fall below the minimum of a humanly sufficient existence", but also to lead to the "free access of all classes to the benefits of civilization". However, the first **«statute of social assistance»**, published in 1944, redefined the role of the State as one of orientation, promotion, tutorship and inspection of the assistential activities, being **supplemental** in what concerned **direct delivery of assistential services**. On the other hand, social assistance appeared as complementary to the existing social security system, although in practice social assistance persisted at notoriously low levels of efficiency and the coordination between assistance and social security showed no real progress.

The period that followed the **Revolution of 1974**, saw an initial strong emphasis on the role of the State, confirmed by the **Constitution of 1976**. However, this approach would soon be blocked and, to a large extent, reversed by policies that were implemented to confront the economic crisis of the 1970s and the crisis of the welfare state that affected most of the Western democracies and, furthermore, by the progressive enhancement of the role of the market.

In what concerns the means of dealing with poverty, the institutional set-

up in the late eighties comprised two basic components: on the one side, the public social assistance delivered by a network of social security regional centres; on the other, the private non-profit making sector, substantially financed by the Government.

The attitude of the public in general with regard to poverty seems to undergo change in the direction of a progressive **detachment** from any kind of commitment or sense of obligation towards the poor, with the consequent weakening of the "moral society" that fostered the general atmosphere of solidarity that existed in the past.

Nevertheless, the historical background described above illustrates eloquently a generalised concern for the poor in the Portuguese society. With greater or lesser emphasis on the direct action of the State, according to political conjunctures, there persisted a global environment of concern, that embraced public authorities, private institutions and the citizens in general. Before such a historical background, one should ask why is it that, nevertheless, poverty persisted (and still persists) in Portugal and, as will be seen later, on a large scale. Besides other factors that may be adduced to explain that negative outcome, the problem of *understanding poverty*, identifying its causes and the mechanisms that generate and perpetuate it, as a pre-requisite to designing consistent policies and action, seems to provide an important part of the answer. This is one of the basic assumptions underlying this study. Hence its main objective: **to contribute to the understanding of poverty in Portugal**, not in its historical developments and secular trends but in its current forms.

In order to undertake this task, we need to know what the word *poverty* means in the present-day societies of Western Europe. This is the subject of the following chapter.

2. CONCEPTS OF POVERTY

2.1. The need of a definition

As the perception of deprivation grows in the European societies, the meaning of poverty seems to be less and less clear to the common person. Statements and comments on poverty are nowadays frequent and not seldom raise the basic question as to "what poverty actually means". However, it is not the curiosity of the common person alone that calls for a definition of poverty. The need is also grounded on important technical reasons.

Various definitions have been put forward, that lead to different assessments of poverty when applied to the same society at the same moment of time. When we are told, for example, that in 1977 Denmark had a percentage of poor households higher than that of Argentina in 1970 (13% and 8%, respectively), it is obvious that, if the paradox is not to be explained by error, poverty does not have the same meaning in both those cases. Indeed, the apparent contradiction vanishes when we note that the figures have been picked up from two studies that adopt very different definitions of poverty, so different, indeed, that the comparison of those two figures is meaningless (CEC, 1981, p.83; Altamir, 1981, p.74).

We, therefore, need to be explicit about the criteria by which we are to judge whether a person, family or group *is* or *is not* poor, i.e., to distinguish the *poor* from the *non-poor*.

Originally, deprivation was perceived as a situation characterised fundamentally by low living conditions resulting from lack of material resources. With the development

and generalisation of the welfare state, it has been presenting changing patterns and growing complexity, and the idea of "want" has been changing as well. Loneliness (especially associated with old age), psychological handicaps, drug addiction, alcoholism, etc., are aspects or factors of deprivation that may have no relation with lack of resources and, yet, are gaining increasing relevance in our days. Often, these problems tend to be identified with, or taken as similar to, poverty.

Furthermore, particularly in the context of the European Community, the concern for poverty has been enlarged to the wider field of *social exclusion*. This concept includes poverty but goes beyond it, and is more concerned with lack or weaker forms of integration in society, irrespective of the role of resources in the origin or solution of the situation.

No doubt, all these are serious social problems that our societies have currently to cope with. However, they are not all included in the subject-matter of this study. Poverty is here understood as a state of deprivation that results from lack of resources. Accordingly, the poor is the person who suffers from deprivation (namely from meeting basic needs) due to lack of resources. On the one side, this statement delimits the theme of the study and, on the other, it highlights the distinction between poverty and deprivation (Townsend, 1987), which carries relevant policy implications and will be examined below.

The concept of poverty has been, and still remains, a highly controversial issue, widely discussed among social scientists and policy makers.

In some cases, the discussion seems to suggest that poverty is such a complex phenomenon that it should be accepted as undefinable. In this event, any effort towards studying it would be subject to major errors and lead to unreliable results. Such a

conclusion could ultimately legitimate inaction both from Governments and from other social actors.

No doubt, poverty is one of the social problems that run the risk of being oversimplified. It is the role of the social scientist to avoid simplistic ideas and to contribute to deepening its understanding. However, the social scientist is not free from involvement in the intellectual process of the analysis to such an extent that he or she loses the sense of the relative importance of the different aspects of the problem. In such a case, the practical outcome of his or her analytical effort is one of clouding rather than throwing light on the phenomena. Piachaud (1987) calls attention to this point of vulnerability: "If the term "poverty" carries with it the implication and moral imperative that something should be done about it, then the study of poverty is only ultimately justifiable if it influences individual and social attitudes and actions. This must be borne in mind constantly if discussion on the definition of poverty is to avoid becoming an academic debate worthy of Nero (...) a discussion that is part of the problem rather than part of the solution" (p.161).

In what follows, the most relevant concepts are analysed. In doing so, our objective is not to participate in the current debate as such, but to try and identify the definition that best suits the Portuguese situation, that is to say, the definition that seems most adequate for studying poverty in Portugal and compatible with the available information.

2.2. In the wake of Seebohm Rowntree

At least in the European context, it is compulsory to begin the discussion of the concept of poverty by referring to the studies undertaken in the United Kingdom, in the

nineteenth century and the beginning of the twentieth, by Charles Booth and especially by Seebohm Rowntree.

2.2.1. Budget standards

Originally, poverty was defined primarily with reference to family budgets and to physiological subsistence. In his pioneering and widely quoted study on poverty in York, first published in 1901, Rowntree defined the threshold of poverty as the "minimum necessary expenditure for the maintenance of mere physical health", meaning food, housing rent (and rates) and household sundries (such as clothing, light, fuel, etc.) (edition of 1971, p.119). More precisely, Rowntree defined *primary poverty* as the state of those families whose "total earnings are insufficient to obtain the minimum necessities for the maintenance of merely physical efficiency" (p.117).⁹

Rowntree also adopted the concept of *secondary poverty*, by which he meant a situation in which the family's "total earnings would be sufficient for the maintenance of

9. The severe character of such a definition is illustrated in the picture that the author designs to illustrate what "merely physical efficiency" actually means:

"A family living upon the scale allowed for in this estimate must never spend a penny on railway fair or omnibus. They must never go into the country unless they walk. They must never purchase a half-penny newspaper or spend a penny to buy a ticket for a popular concert. They must write no letters to absent children, for they cannot afford to pay the postage. They must never contribute anything to their church or chapel, or give any help to a neighbour which costs them money. They cannot save, nor can they join sick club or Trade Union, because they cannot pay the necessary subscriptions. The children must have no pocket money for dolls, marbles or sweets. The father must smoke no tobacco, and must drink no beer. The mother must never buy any pretty clothes for herself or for her children, the character of the family wardrobe as for the family diet being governed by the regulation, 'Nothing must be bought but that which is absolutely necessary for the maintenance of physical health, and what is bought must be of the plainest and most economical description'. Should a child fall ill, it must be attended by the parish doctor; should it die, it must be buried by the parish. Finally, the wage-earner must never be absent from his work for a single day." (Op. cit., pp. 167-168).

Such would be, in general, the life-style of families living in «primary poverty».

merely physical efficiency were it not that some portion of it is absorbed by other expenditure, either useful or wasteful"(p.118).¹⁰

In connection with the notions of primary and secondary poverty, Thomas Wilson and Dorothy Wilson (1982) note that the question must be posed on "whether the aim of policy should be the prevention of primary or of secondary poverty" (p.73). The question is pertinent and offers the opportunity to define more precisely the scope of our research. **Our approach follows the idea of primary poverty**, not that it rejects the suggestion that "a certain margin for so-called secondary poverty would seem appropriate" (Ibidem), but in the sense that it aims at establishing a threshold of consumption (or resources) under which the person (or family) is *necessarily deprived*. This *does not imply* that *all* those who are above the threshold are *necessarily free from deprivation*.

Owing to its (over)emphasis on physiological needs, the definition is known as the «*concept of subsistence*» (Townsend, 1979, p.33) or the «*biological approach*» (Sen, 1982, p.12).

In his second study, in 1936, Rowntree used a more generous list of necessities. As pointed by Victor George (1973), the main change in 1936 was "to enlarge considerably the group of sundries and allow for expenditure on such items as newspapers, stamps, writing paper, radio, holidays, beer, tobacco and presents. In other words, though in minimal terms he made allowances for items which satisfy *social* and *cultural* rather than physical needs." (p.43. My emphasis).

10. Wolf Scott (1981) argues that "Rowntree did not define secondary poverty directly. Instead, he asked his investigators to judge whether households showed signs of living in poverty, adding up all such households and subtracting from the total those already defined as in primary poverty".

Rowntree's concept is commonly presented as a paradigmatic example of what has been qualified as an «objective» and «absolute» concept of poverty. The term «objective» is used as opposed to «subjective», and «absolute» as distinct from «relative». In rigorous terms, however, it is neither purely «objective» nor strictly «absolute». ¹¹

It may be considered as «objective» insofar as the establishment of the poverty threshold is not totally based on opinion, sensitivity, feeling or «subjective» judgements of the social scientist, the poor or the public opinion. Instead, the approach tries to establish a minimum living standard deemed sufficient to meet the necessities as identifiable by the available scientific knowledge about basic human needs. The scientific rationale was, however, developed for nutrition and diet, rather than for fuel, clothing and shelter.

The «absolute» nature of the definition may be basically associated with the following two characteristics: a) poverty is defined with reference to a set of basic needs identified

11. There has been some terminological confusion about the term «absolute». Indeed, the fact that this word commonly appears in literature with different meanings is a source of misunderstanding that adds confusion to the intrinsic complexity of the subject matter.

The expression «absolute concept of poverty» gave origin to «absolute poverty line» and ultimately to «absolute poverty». There would be nothing wrong with this evolution if by «absolute poverty» was meant a state of poverty assessed by the absolute approach and by «absolute poverty line» a poverty line based on the absolute concept of poverty. However, this is not always the case.

In common language, the word «absolute» means «complete», «entire», «perfect», «pure». Accordingly, «absolute poverty» suggests «severe poverty», «dire poverty», «extreme poverty», «a deeper state of deprivation». This way of understanding has two important implications: firstly, it assumes that «relative poverty» is necessarily less severe than «absolute poverty» (which need not be always the case); secondly, the term «absolute» is applied to qualify poverty and not the concept. The expression is used with these meanings not only in current language but also in some technical texts. Such is, e.g., the case of the World Development Report of 1980, in which «absolute poverty» is defined as «a condition of life so characterised by malnutrition, illiteracy and disease as to be beneath any reasonable definition of human decency» (World Bank, 1980, p. 32). Also some of the European authors have used the expression «absolute poverty» to mean a rather severe form of deprivation (see, e.g. Room, 1990, p. 5; Bartoli, 1986, p. 39).

In the present text, however, neither does the word «absolute» mean «a more severe form of», nor does it apply to poverty. The term «absolute» is here intended to qualify the concept, not poverty. What is at stake is the absolute concept of poverty and not the concept of absolute poverty.

by a *normative* (prescriptive) approach; and b) the concept presumes that those needs are *influenced*, but not totally *determined*, by the level of development of the society, the patterns of income and wealth distribution or the living standards that the person enjoyed (or suffered) in the past.

In fact, however, Rowntree's original methodology was a mix of three different types of procedures: a) *scientific knowledge* when available (mainly in the nutritional field); b) *lay opinions* (with respect to clothing needs); and c) *empirical evidence* (for the cost of housing) (George, op.cit., pp.42-46; Townsend, op.cit., p.34).

Some signs seem to suggest that Rowntree did not pretend his definition to be either "absolutely objective" or "absolutely absolute" or "absolutely definitive". In fact, in his second (1936) study, he gave up Atwater's nutritional standard, used in the first study, in favour of a standard set up by an expert committee appointed by the British Medical Association and, as mentioned earlier, adopted a broader idea of necessities which encompassed social and cultural needs. This means that his methodology was open to contributions from a deeper understanding of human needs.

Moreover, as seen above, Rowntree's estimates for clothing consumption were based on subjective opinions of the workers and the housing costs were defined by an empirical methodology.

The excessively narrow and static meaning that is often given to Rowntree's approach in the current debate seems, therefore, to emerge as a question of interpretation rather than as an intrinsic limitation of the author's original idea. It is possibly in order to avoid the misunderstandings that the term «absolute» has brought about that some authors refer to the perspective that stems from Rowntree's studies as the «budget standard» approach (Piachaud, 1987; Bradshaw et al., 1987).

2.2.2. Limitations of Rowntree's standards

Rowntree's definition of poverty has been criticised practically since poverty emerged again in the European societies, during the fifties. However, the critics are far from consensus about their respective alternative proposals: should the approach be simply abandoned, or it is rather a question of improving its shortcomings and adapting it to our times?

In analysing this issue, it is necessary to distinguish the *intrinsic limitations* of the concept from the shortcomings that result from the *specific methodology* by which the concept was operationalised by Rowntree in his studies in York. Furthermore, account should also be taken of the objectives that Rowntree had in mind when defining his poverty line (Veit-Wilson, 1992).

It seems obvious that a definition concerned only with the "maintenance of merely physical health" is unacceptable today, regardless of the context concerned (European or other, northern or southern, eastern or western), and, therefore, will not be used here. Incidentally, the inadequacy of the approach was recognised by Rowntree himself, at least with regard to the British context, as is illustrated by the fact that the list of necessities adopted in his second study was broader and included items that aimed at meeting some social and cultural needs.¹²

To what extent was the new list of needs sufficiently comprehensive and were the

12. It is worth noting that already in his first study Rowntree recognised the influence of cultural factors on food habits: he abandoned the conclusions of one of his food standard estimates on grounds that "at present the poor do not possess knowledge which would enable them to select a diet that is at once as nutritious and as economical as that which is here adopted as the standard" and that "the adoption of such a diet would require considerable changes in established customs, and many prejudices would have to be uprooted." (George, 1973, p. 45).

needs satisfactorily met is a matter open to debate. However, for theoretical purposes, the question that matters is whether the addition of those new aspects changed the essential features of the approach. In other words, does the improvement of the list (namely by enlarging it and/or raising the cut-off points) necessarily alter the essential characteristics of the definition?

2.2.3. The development of Rowntree's approach

Given the scientific progress that has taken place during our century, it would seem fair to expect that, today, we have at our disposal better tools for an «objective» definition of needs, than those that were available in the nineteenth century. However, the progress of human and social sciences has also contributed to highlighting the complexity of human reality. A deeper understanding of human beings has led to the downgrading of techniques that deal with human problems in mechanical or merely quantitative terms. Over-simplified models of, and solutions for, human problems can no longer be accepted. The same applies to the task of defining needs. Human needs can no longer be analysed and studied as if they could be expressed in purely objective, quantified and impersonal models.

At first sight, developments in the field of the nutritional sciences seem to provide a sound basis for a consistent definition of food requirements. In some countries, such as Portugal, qualified institutions have set up detailed tables of nutritional needs, with specifications that take account of the age, gender, occupation, type of work, climatic conditions, local habits, percentage for waste, etc.. The Portuguese table is the point of departure of the methodology adopted in estimating the poverty line in the present study.

Nonetheless, various methodological problems have to be solved before one may

arrive at a poverty threshold that may comprise all the relevant aspects of basic needs: the translation of nutritional needs into food items and quantities (diets); the choice of a «reference unit»; the establishment of an «equivalence scale»; the selection and quantification of non-food necessities; etc.. Along this process, «subjective» choices and value judgements (mainly with respect to *justice* and *equity*) cannot be avoided, that affect the «objectivity» of the method.

In what concerns the «absolute» character of the concept, the situation is not substantially different. The introduction of «relativist» criteria is as inevitable as the need for taking into account changes in time (due to changes in prices, the emergence of new needs and new life-styles, better understanding of human needs, etc.) and contextual differences (cultures, habits, life-styles, etc.).

In the case of Rowntree, the adoption of an enlarged list of items results from a wider concept of needs. The problem is not identical when we try to investigate what should be understood by basic needs today, more than half a century away from Rowntree's studies. The «updating» of the list implies that account be taken not only of the scientific progress achieved in the meantime in the perception and understanding of needs, but also of the influence of three other sets of factors: social changes that gave rise to new needs and/or new patterns of basic needs; changes in the aspirations of low income groups (namely by influence of the mass media, by force of the demonstration effect, etc.); and the development and dissemination and promotion of cultural and moral values, such as justice, solidarity and human dignity.¹³

These changes do not seem to affect the *normative* character of Rowntree's approach, as opposed to the purely *behavioural* perspective. In other words, the so-called «absolute» concept of poverty need not be a «fixed» concept. Rather, the concept gains a

13. The costing procedure has, obviously, to consider the changes in the prices.

«relative» dimension insofar as it takes explicitly into account parameters that refer to society at large.

Several studies -- especially in the UK, USA and Canada -- can be traced back to Rowntree's methodology, updating it conceptually as well as methodologically.

In broad lines, it may be said that Rowntree's original idea developed along two paths. One maintains unaltered his methodology: the budget is the outcome of a process of listing and costing all the items that are considered as necessities.¹⁴ The other uses the approach exclusively with respect to food, and resorts to empirical evidence (Engel's curves) for estimating the share that corresponds to the set of non-food items. This is the approach adopted in this study.

An alternative statistical method, similarly based on Engel's law, resorts to the «S-curve analysis» (or quantity income elasticity technique). Following Engel's verification that the share of the budget devoted to basic needs decreases as income increases, the S-curve analysis tries to identify the point at which an increase in quantity is replaced by higher quality of the commodity. This inflection point corresponds to the state at which the marginal propensity to consume a particular good slows in relation to income (Bradshaw et al., 1987, p.174).

14. The former method was applied by Piachaud, in his study on The Cost of a Child (1979). Piachaud defined a budget standard by costing a «basket» consisting of "a user-friendly diet, clothing, heating, toys, school outings and a holiday" (Piachaud, 1987, p. 153). Various studies undertaken by the Family Budget Unit (UK) follow an analogous approach.

The latter method was first used by Mollie Orshansky (1965), who developed the official definition of poverty for the USA. The nutritional standard was based on estimates of the Department of Agriculture and the types of food items and respective quantities were made "compatible with the preference of the United States families, as revealed in food consumption studies" (Orshansky, op. cit., as quoted by Townsend, 1979, p. 35). The non-food consumption was estimated by a multiplier (Engel's coefficient) derived from empirical data on food consumption as percentage of total income, for families of different sizes (see, among others, Townsend, 1979; Sawhill, 1988, p. 1075).

A similar method was applied in our first study on poverty in Portugal, together with a method based on the relative concept described below (Bruto da Costa et al., 1985).

2.3. The relative concept of poverty

For some critics of the absolute concept, the approach is altogether unacceptable and an alternative approach has to be adopted. One such approach prescribes a «relative» concept of poverty.

Having seen that the absolute concept is not totally insensitive to the relative dimension of needs, one may ask whether the «relative» approach brings any new insight into the problem. What does this new «relativity» add to the «relative dimension» recognised by the absolute concept?

Some authors trace the idea back to Adam Smith¹⁵. The most comprehensive and detailed criticism of the absolute concept was, however, worked out and presented by Peter Townsend, the leading architect of the relative concept of poverty.

Townsend makes the point notably in the opening statements of his celebrated book on *Poverty in the United Kingdom* (1979): "definitions which are based on some conception of 'absolute' deprivation disintegrate upon close and sustained examination and deserve to be abandoned." (p.38). Thus, the improvement of the «absolute» approach is out of question. What is needed is an alternative perspective for defining poverty.

The basic idea is expressed in the following terms: "Poverty can be defined objectively and [the definition] applied consistently only in terms of the concept of relative deprivation. (...) Individuals, families and groups in the population can be said

15. Based on the following frequently quoted statement: "By necessities I understand not only the commodities that are indispensably necessary for the support of life, but what ever the custom of the country renders it indecent for creditable people, even of the lowest order, to be without." (see, e.g., Mack and Lansley, 1985, p. 26).

to be in poverty when they lack the *resources* to obtain the types of diet, participate in the activities and have the living conditions and amenities which are *customary, or at least widely encouraged or approved*, in the societies to which they belong. Their resources are so seriously below those commanded by the average individual or family that they are, in effect, *excluded* from ordinary living patterns, customs and activities" (Ibidem, p.31. My emphasis).

Several important points emerge from the above quotation. Firstly, the reference to «resources», which is a broader idea than that of «income» (more commonly used in this connection), namely by the inclusion of capital assets (Ibidem, p.55). In another statement, Townsend stipulates that «consumption» be replaced by «style of living» (p.).

Insofar as these criteria may be considered as enlargements of the idea of «necessities», they do not seem to imply, in themselves, a shift from the absolute to the relative concept.

Second, and most important, for the «relativist» approach, the standard for defining needs and assessing whether they are satisfactorily met is supplied exclusively by the *societal context*: what is "customary, or at least widely encouraged or approved" in the society.

The definition would not be particularly innovative if the reference to society had been limited to some specific «social» needs. However, Townsend applies the same criterion to all types of needs, even to the «types of diet». Normative criteria are altogether absent from this approach.

Third, Townsend relates poverty to «resources» and not to actual «living conditions». This brings in the fundamental distinction between *poverty* and *deprivation*,

which will be discussed later.

Finally, the introduction of the idea of *exclusion*, as a characteristic of poverty. Exclusion is by nature a relative idea and, in the present context, what is in question is the exclusion "from ordinary living patterns, customs and activities".

For this approach, therefore, it does not suffice to take into account the «relative dimension» of needs to the extent that the normative concept can integrate it. Poverty is understood as essentially relative.¹⁶

In practical terms, Townsend suggests that "It may be hypothesized that, as resources for any individual or family are diminished, there is a point at which there occurs a sudden withdrawal from participation in the customs and activities sanctioned by the culture. The point at which withdrawal 'escalates' disproportionately to falling resources could be defined as the poverty line" (Ibidem; see also p.249).

This hypothesis has aroused some controversy. For Townsend, empirical evidence suggests the hypothesis but is not conclusive (op.cit., pp.255 and 894). Desai (1986) claims to have found empirical confirmation of Townsend's hypothesis. Piachaud (1981 and 1987) contests both.¹⁷ For Mack and Lansley (1985, pp.193-194), the analysis undertaken by Desai of their data confirmed Townsend's hypothesis. More recently, Sandra Hutton (1991) also seems to have (re)confirmed Townsend's hypothesis. In the case of Portugal, the Household Budget Survey of 1989-90 includes a

16. Scott (1981) qualifies the approach as "deliberately relative" (p. 25).

17. Piachaud discusses Desai's methodology and his observations seem convincing. However, neither does he rule out the idea of the relative nature of poverty nor does he comment on Townsend's more detailed account of the findings of his study on poverty in the UK, in which he shows that in some cases of family composition evidence is stronger than in others, thus suggesting that empirical support for the hypothesis is not altogether absent. This suggests that there is no ground for abandoning the hypothesis, rather it is a question of taking farther the investigation. In one of his papers, Piachaud clearly assumes that "poverty must be defined in relative terms" (1988, p. 338).

very limited number of indicators of the life-style. Nevertheless, the tests that were made seem to point in the direction of confirming Townsend's hypothesis, as will be seen later.

The major critical comment on the relative concept comes from Amartya Sen. It is perhaps the only critique focussed on the concept itself and not on methodologies that have been used to operationalise it.

Although recognising that "Especially against the simplistic absolute conceptualization of poverty, the relative view has represented an entirely welcome change" (p.153), Sen (1983) distinguishes the *notion* of poverty from the *specification of the corresponding levels*, and goes on to state that "ultimately poverty must be seen to be primarily an absolute notion, even though the specification of the absolute levels has to be done quite differently from the way it used to be done in the older tradition" (p.153).

Sen rules out the idea that the absolute concept implies fixity of needs over time: "*absoluteness* of needs is not the same thing as their *fixity over time*. (...) Even under an absolutist approach, the poverty line will be a function of *some* variables, and there is no *a priori* reason why these variables might not change over time" (p.155).¹⁸

It needs to be stressed that Sen uses the notions of «absolute» and «relative» in a rather unusual way that does not seem entirely clear and may lead to some confusion. «Relative» is defined as something that can be expressed in terms of "more (less) than others". In this sense, an advantage that a person has and others do not is not relative but

18. According to Townsend (1985), such an understanding is different 'from the majority of those who uphold an "absolutist" perspective' (p. 659).

Further, Townsend reminds that comparisons are to be made not only through time but also between different societies at the same moment of time and makes the point that the absolute concept does not allow the latter type of comparisons. This is perhaps one of the most difficult issues under discussion in the context of comparative studies on poverty in Europe.

absolute. Accordingly, he argues that "There is a difference between achieving *relatively less than others*, and achieving absolutely less because of falling behind others". This statement is illustrated with the example of a person who is able to enjoy an uncrowded beach because he or she knows about the beach when others do not. Sen argues that being in an uncrowded beach is an «absolute» advantage, though it depends on a «relative» position (of knowing something that others do not) (pp.155-156).

This way of reasoning presents the risk of mixing up two different frames of reference: the «individual» and the «society». Considering the frame of reference of the individual, the benefit of an uncrowded beach is an «absolute» advantage. But so is also the information about the beach (the alternatives being to «have» or «not have» that information). Taking the societal frame of reference, however, both those aspects may be considered as «relative» benefits: he or she enjoys an uncrowded beach which others do not enjoy, because he or she has a piece of information which others do not have. The core of the discussion seems, therefore, to be in knowing which of those frames of reference should be considered in defining needs: the individual alone, society alone, or both.

It seems that «absolute» is an inadequate word to express what it is supposed to mean. Much of the discussion appears to stem from that inadequacy. If we leave aside that word and think in terms of «individual reference» versus «social reference», the relevant question is whether needs can be defined with reference to any one of those frames, or should be defined taking both into account. The suggestion has two important implications.

Firstly, neither of those approaches («individualistic» or «social») implies fixity in time or neglect of place. Second, human sciences or scientific branches that focus primarily (though not exclusively) on the individual (such as some branches of medicine,

anthropology, psychology, etc.) would contribute to the definition of needs focussing on the individual, *which does not imply that, even in this case, the milieu could be ignored*. Complementarily, the sciences or branches that are committed primarily to the study of the social dimension of the person would bring their own input for a global and comprehensive answer to the problem.

Human being can neither be understood exclusively on an individualistic basis nor entirely in a social perspective. Both these dimensions are constitutive of the person. An individualistic definition ignores the relational dimension of the person, while the purely societal concept implies that the person can be totally defined by his/her condition of member of society, thus dismissing the very subject of the relational network.

From this twofold nature of the person, it seems to follow that the definition of «needs» ought to consider both those «essential» characteristics and, therefore, the corresponding frames of reference.

In this sense, Sen seems correct when he states that "There is (...) an irreducible absolutist core in the idea of poverty" (p.159), insofar as the individual is one of the frames of reference for defining poverty. Similarly, and insofar as human needs can neither be identified nor measured without reference to society, we have to take Townsend's point that "Human needs are essentially social" (1985, p.667). It should be understood that, in the present case, "essentially" does not mean "exclusively".

Moreover, Sen argues that the "relativist" (meaning "fully relativised") view has the implication that "a general decline in prosperity with lots of additional people in misery -- say due to a severe recession or depression -- need not show up as a sharp increase in poverty since the relative picture may not change." (p.156). And claims that "A sharp fall in general prosperity causing widespread starvation and hardship must be

seen by any acceptable criterion of poverty as an intensification of poverty" (p.157). This is, indeed, an impressive example of the limits of the relativist view. However, it is only pertinent if we assume that the considered society is totally deprived of any other frame of comparison. Its own (better) past situation or a wider regional or world-wide context offer criteria for recognising the state or intensification of poverty. The only difference here is that the unit of reference is not the individual (versus society) but the society (versus its own past or a wider geographical context).

One may, however, ask from where does the idea of looking for an adequate frame of reference come. The answer seems to be that there is an implicit pre-assessment of the situation, based on some "non-relativistic" criterion. This is perhaps the "norm" that according to Altamir (1981) "stems from our present notion of human dignity and the universality that we confer on basic human rights" (p.69).

At the opposite end, Sen stresses that "It would be absurd to call someone poor just because he had the means to buy only one Cadillac a day when others in that community could buy two of these cars a day." (op.cit., p.159). It is difficult for us, inhabitants of a world still confronted with problems of massive poverty, destitution and extreme forms of hunger, to imagine such an affluent society. However, if we were to take it as an acceptable scenario, we should also judge it acceptable to pose the following question: is the fact of having only one Cadillac a factor of *exclusion* in that particular community? If so, we may talk of poverty. Not, otherwise.

Finally, Sen resorts to the concept of *capabilities* to present in new terms his perspective. Taking the example of a bicycle, Sen distinguishes four different concepts: the bicycle is a *commodity* with a particular *characteristic* of transportation; this characteristic gives the person the *capability* of moving in a certain way; this capability

may give the person *utility* (pleasure from moving) (Ibidem, p.160). The following table helps visualising those distinctions.

=====			
Commodity	Characteristic	Capability	Utility
bicycle	transportation	capability to move	pleasure
		living standard	happiness
=====			

Applying this framework to the conceptualization of poverty, Sen states that "poverty is an absolute notion in the space of capabilities but very often it will take a relative form in the space of commodities or characteristics" (p.161).

This relates to a crucial and far reaching debate on the theory of human need, as discussed notably by Doyal and Gough (1991), which seems to address one of the central questions that concerns the very basis of economic thought: firstly, the universality of human needs, beyond all that is relative in defining them; and, second, the precedence of objective needs over subjective preferences (or wants).

As stated earlier, it is not the objective of this chapter to participate in the theoretical debate on the concept of poverty. Our aim is to select the approach that seems more adequate to quantify and characterise poverty in Portugal in the early and the late eighties, within the limitations of the available data.

The foregoing considerations bring us to another theoretical assumption that underlies our study, namely the fact that we will deal mainly with commodities, thus assuming that the goods and services that can be bought by a certain level of equivalent purchasing power can give the same amount of equivalent welfare (or identical

equivalent life-style), irrespective of the "specificities" of the household or person (see Tsakoglou, 1988).

2.4. Subjective definitions of poverty

The definitions that have been discussed so far fall within the category of the so-called «objective» concepts of poverty. Their «objectivity» lies in the fact that the identification of necessities and the definition of the poverty threshold are not based exclusively and intentionally on the subjective feelings of the poor, the social scientists or the public at large. An alternative perspective offers the «subjective» concept of poverty.

It has been argued that neither of the «objective» definitions manages to avoid subjective judgements of the researcher. In spite of the scientific tools that may be used to establish a poverty line, both the «absolutist» as well as the «relativist» perspectives leave open a wide range of choices that have to be made by social scientists, with regard to the most appropriate parameters and the respective values. And, at least in some of those aspects, there is no reason to consider that the opinions of the researchers are necessarily more objective than those of the poor themselves or of the public in general. In particular, it remains to be seen whether needs and requirements are better defined by the scientist or by the person who experiences want and the consequences of lack of resources. Which of the two assessments should be considered more "scientific" and conducive to a more "objective" yardstick for measuring poverty?

Moreover, the threshold of poverty may be established by a more democratic process, namely by taking for reference public opinion.

Thus, while in the case of the «objective» approaches the influence of the subjective judgements in the definition of needs and poverty thresholds is unavoidable (though not desired), the «subjective» methods are *intentionally* based on the opinions and judgements of the poor themselves or of public opinion (the society at large).

In other words, the «objective» approaches (absolutist or relativist) provide a "prescriptive class of definitions" (Veit-Wilson, 1987, p.188), while the subjective perspective purportedly corresponds to a "social consensus" (Piachaud, 1987, p.148) or to a "consensual approach" (Mack and Lansley, 1985). In the words of Veit-Wilson, these approaches are "explicitly relativistic", in that "they claim that the concepts of deprivation and poverty are social constructs which can only be expressed and understood in the context of a specific society at a particular historic position" (Ibidem). Furthermore, "They take this relativism to its logical conclusion by recognising that (...) the standards can only properly be derived and understood by studying their social source -- that is, the masses in society whose experience and expectations give rise to them" (pp.188-189).

The approach presents two broad variants: the first is concerned with "what the public says should be provided at the minimum level -- the desired poverty level"; the second looks at "what the public is prepared to pay for in taxes as a minimum income -- the financeable poverty level" (Piachaud, 1987, p.148). In another perspective, the studies made in this field may be distinguished into "(a) those which concentrate on the popular view of the *income levels* required to avoid deprivation (but which do not unpack the contents of that deprivation), and (b) those which study the popular view of the *necessities* required to avoid deprivation (and which then seek to establish the income levels correlating with a prescribed level of deprivation)" (Veit-Wilson, op.cit., p.189).

One of the most attractive aspects of the subjective approach is, undoubtedly, its

democratic look. Veit-Wilson (1987) underlines this point in challenging terms: "Democracy and citizenship -- he writes -- are the essential values underpinning the consensual approach; those who do not find it persuasive might consider whether their objections are based on a lack of sympathy with these values or are merely technical objections which may be overcome" (p.202). It is worth examining the consistency of this challenge.

In democracy, there is a fundamental difference between a *vote* and an *opinion*. The former expresses a preference that carries an intrinsic value. Thus, in democratic terms, the best choice is the outcome that corresponds to the preferences of the majority of the voters.

With regard to opinion, however, the criterion for judging about its value is qualitative rather than quantitative. The value of an opinion is related to knowledge. Even when what matters is a choice (e.g. political elections), the democratic voting process includes a period of enlightenment (election campaign) and assumes that the voter is conscious of his obligation of looking for information and enlightenment.

Thus, while the validity of a choice is grounded on quantitative terms (the majority), the weight of an opinion is measured primarily by criteria of a qualitative nature, related with knowledge.

With regard to the definition of poverty according to socially perceived standards, the crucial aspect resides in *what* is perceived and *how* it is perceived (Walker, R., 1987).

If we are concerned with knowing what the public says should be provided as the minimum level (the "desired" poverty level), we are actually asking for a value

judgement. We should expect the answer to depend on what the respondent thinks is necessary, what he or she thinks the poor deserves and by what policies and mechanisms he or she guesses that level should, may or will be achieved. There is no reason to expect that the outcome of such a survey should necessarily lead to a more correct definition of poverty. The inconsistency of the outcome grows when the question refers to the income levels required to avoid deprivation. The additional difficulty consists in translating the opinion into monetary units.

The question as to what each respondent is prepared to pay in taxes for a minimum income (the "financeable" poverty level) seems intrinsically biased insofar as the problem is defined as a function of its solution (financial viability).

The subjective approach takes a different meaning if the survey is directed to the poor. It should be noted, however, that the method is in itself contradictory. In fact, the possibility of selecting the respondents (poor) assumes that we previously have a definition of poverty (which we are looking for). Moreover, the observations made about the consistency of the opinion of the public in general apply equally, *mutatis mutandis*, to the poor.

The foregoing comments do not aim at denying that one of the most illusory weaknesses of some social scientists is the apparent "scientific objectivity" of statements that are heavily indebted to subjective preferences and value judgements. Moreover, no concept of poverty can claim to be entirely "objective". However, what is here at stake is not the unavoidable influence of subjective choices and judgements in the process of operationalising the «objective» concept, but the ground for attaching a higher scientific value to an approach that is intentionally and essentially subjective.

The collection of a mass subjective individual opinion may create a "social fact"

(Veit-Wilson, op.cit., p.192). However, such a social fact is not necessarily valid for *defining* a specific social phenomenon. The relevance of the opinion of the society in general, and of the poor in particular, in the process of defining and understanding poverty, should not be underestimated. However, the «subjective» concept of poverty does not seem to emerge as a substitute to the so-called «objective» approaches. It is rather an useful complementary tool to take account of the concept that the relevant groups of the society have of poverty and their idea of basic needs.

The reference made above to the debate on *needs* and *preferences* is particularly relevant with regard to the subjective concept of poverty (Doyal and Gough, 1991).

2.5. Some distinctions and complementary observations

2.5.1. Poverty and deprivation

Most of the definitions of poverty include, but do not discuss, two elements which may be used to establish a basic distinction. Poverty is described in terms of *living conditions* (unmet basic needs), as well as in terms of *incomes* or *resources* (necessary to meet those needs).¹⁹

The issue is analysed by Townsend (1987), to establish a distinction between *poverty* and *deprivation*. The former turns on "incomes and other resources directly

19. Rowntree's concept of "secondary poverty" is clearly an assessment of living conditions. Such is also the case of the definition given by the World Development Report of 1980: absolute poverty as "a condition of life" characterised by unmet basic needs (World Bank, 1980, p. 32). The fact that Rowntree qualified as "primary" the type of poverty in which the conditions of life could be related to (or considered as a result of) lack of income seems to reveal that he recognised that the availability of incomes was an important element in defining poverty. Nonetheless, neither in this case nor in most of other definitions is the distinction conceptually clear.

available", while deprivation is defined with reference to the "level of conditions or activities experienced", i.e., to the material and social living conditions (p.140). Townsend mentions three criteria for defining deprivation: the lack of goods, services, conditions, activities and facilities may be defined with reference to a) what is "customary, or at least widely encouraged and approved" by society; b) "standards of living which can be demonstrated to be attained by a majority of the national population or which are socially accepted or institutionalised"; or c) "what could be the majority's standard -- given a better redistribution of resources or a reorganisation of institutions" in the society (Ibidem, p.126).

Frazão (1925) defines poverty basically as "scarce resources to meet the customary needs of life" (p.3). It is interesting to note that this definition is very close to Townsend's, not only in what concerns the relation between poverty and resources but also in the wide notion of needs.

At first sight, the distinction between poverty and deprivation may seem merely academic. However, it has relevant conceptual and policy implications.

Primarily, poverty is associated with a state of unmet needs, i.e., to a state of deprivation. No doubt, such a state is a problem in itself and, indeed, a serious problem. However, deprivation is also the "visible" manifestation of a deeper form of "want": lack of *self-sufficiency*. Certain policies and activities (namely of the "social assistance" type) may contribute to overcome deprivation, without tackling the problem of *lack of resources*. Such measures, however efficient they may be to cope with the problem of unmet needs, cannot be considered as measures to combat poverty. Even when basic needs are met, the person is not free from poverty as long as the way or process of meeting those needs is not customary in the respective society, that is, as long as he/or she is not free from *dependency*.

In this light, a society cannot be considered free from poverty only because its social protection system defends its citizens from deprivation. It remains to be seen whether the type of social scheme under which such protection is guaranteed may be considered as a "normal" source of income -- such as wages (during the economically active period of life) or an old age pension (after the normal retirement age). This in no way affects the relevance of "lateral" social protection measures, such as unemployment benefits or non contributory schemes. What the above reflections intend to highlight is that such measures, being in themselves necessary to cope with deprivation, may not tackle the problem of poverty. The policy implications of this conclusion are of utmost importance.

The distinction between poverty and deprivation also helps understand why the enormous and long-standing action of the traditional charities and other voluntary institutions in favour of the poor has been incapable of eradicating poverty and has contributed so little to reducing it. Traditionally that action has dealt primarily with deprivation, helping the poor to meet their basic needs, and has contributed much less to weaken or eliminate the factors that explain the lack of resources that is the cause of deprivation. This point explains partly the apparent contradiction stressed in the previous chapter, about the persistence of large-scale poverty in a society whose history is rich in manifestations of individual and collective concern for the poor that gave rise to a notable network of institutions devoted to help the needy.

Finally, the same distinction is useful to understand some new forms of deprivation that are not a result of lack of resources. The low living conditions of some of the elderly are an example of deprivation that may be due to lack of a network of social relations or to shortage of adequate social services that they could afford to pay.

2.5.2. Poverty and marginalisation

More recently, concern has been expressed about the *process of social marginalisation*. The debate has been addressing namely the following questions: are the ideas of poverty and of social marginalisation distinct? Do they overlap? Can there be poverty without social marginalisation or vice-versa?

A major contribution to this discussion has been put forward by Robert Castel (1990), for whom it is conceptually relevant to distinguish the two ideas.

Castel envisages «marginalisation» as a *process* and situates extreme marginalisation at the end of a sequence of stages. The dynamics works on two main axes: a) de-integration from work relations; and b) de-integration from socio-familial relationships. The severe forms of exclusion are interpreted as "extreme cases of a twofold dynamic: increasingly precarious work situations and increasingly fragile personal relationships" (p.3).

In this scheme, extreme marginality is understood as a tipping of the scale: "economic precariousness becomes destitution and fragile relationships become solitude". The dynamics implies a shift from the "zone of integration" to the "zone of vulnerability" (precarious work situation and fragile social relations) and from the latter to the "zone of de-affiliation" (extreme exclusion, characterised by a situation of no job and of socio-affective isolation) (pp.3-4).

Taking the example of the Ancien Régime in the West, Castel calls attention to the fact that in such societies most of the population was poor, but it was a poverty integrated in work relations and incorporated in social proximity. However, those societies made a distinction between the "deserving" and the "undeserving" poor. The

latter, generally accused of not willing to work due to laziness, were subject to punishment and often succumbed to vagrancy, thus losing in two counts: "the vagrant was not integrated through the workplace and he was cut off from the network of social relations that ensured at least a minimum of care for other categories of poor people". "Social exclusion, including the modern forms we see, is thus a penalty which expresses a complete detachment from the productive order and total socio-affective isolation" (p.3). What was said in the previous chapter about the type of society in medieval Portugal seems to illustrate Castel's framework.

Until the early or mid seventies, the situation in the industrialised countries of Europe seemed *apparently* characterised by a stable "zone of vulnerability", having marginality as "a residual element in a generally integrated social structure". Castel argues that, in the Welfare State societies, "we can talk about *integrated poverty* where due to a permanent dependence on social services, recipients actually acquire some kind of "status" and should therefore be distinguished from the "real marginals", which may be described as being "statusless" . However, rising unemployment and the precarious nature of jobs, on the one hand, and the de-stabilisation of the family structure, on the other, have brought about an increase in "vulnerability" during the last fifteen years. It is interesting to note that Castel's idea of "integrated poverty", related to provisions of the Welfare State, is similar to what was mentioned earlier, from a different approach, as one of the implications of the distinction between poverty and deprivation.

Castel's conceptual distinction between deprivation resulting from lack of resources and the rupture in the network of social relations provides a useful framework for the analysis of poverty and marginalisation in countries like Portugal. Firstly, it helps to better differentiate *urban poverty* (mainly in the extreme case of vagrants) from *rural poverty*, insofar as the former is associated to social marginalisation more frequently than

the latter. It should be stressed, however, that rural poverty may be associated with (or result from) the rupture of the network of social relations between the rural community as a whole and the urban population. We could here speak of social marginalisation of underprivileged (rural) communities by the dominant (urban) communities. Secondly, the approach confirms the need of a clear characterisation of the above-mentioned problem of many aged persons whose situation of social isolation is not necessarily due to lack of material resources.

Nevertheless, it seems equally useful to underscore the element of *exclusion* that exists in every form of poverty and is intrinsic to poverty.

In fact, one of the main characteristics of poverty is that it implies exclusion. To some extent poverty may be defined, fundamentally, as exclusion. Exclusion from "the minimum acceptable way of life" in the society in which one lives, in the political statement of the Council of Ministers of the European Community (CEC, 1975), or from the "ordinary living patterns, customs and activities" in the words of Peter Townsend (1979).

The idea of «exclusion» presupposes the existence of a *system of reference*, in relation to which the poor person or group is excluded. Such a system may be the society as a whole, but it may also be a part or sub-system (health, social security, labour market, etc.). Besides, the system may be defined in quantitative terms -- e.g. the majority of a society -- or in qualitative terms -- with reference to the pattern of life that is dominant, though not predominant or "generally shared" in quantitative terms (Altamir, 1981). This qualitative dominance is of fundamental importance insofar as the "makers" of the pattern of life are, normally, small minorities endowed with power and means to promote a model, transform it into a set of social norms and introduce it in the aspirations of the common citizen.

Another aspect of the phenomenon of "qualitative dominance" consists in the gap between urban centres and rural areas, in countries with relatively low urbanisation rates. In such cases, we may have a situation characterised by the "exclusion of the majority".

On the other hand, the notion of exclusion implies the existence of "processes of exclusion", that have to be considered for understanding poverty. By "processes of exclusion" I mean not only those processes that exclude persons or groups previously "integrated", but also the mechanisms that offer resistance to (and ultimately prevent) the integration of the excluded.

2.5.3. Poverty and inequality

Another controversial and conceptually difficult issue concerns the relation and the distinction between *poverty* and *inequality*. Common sense seems to dictate that the two words do not have exactly the same meaning. Nevertheless, one may ask if the difference is merely a matter of degree (meaning that poverty can be understood as an extreme form of inequality) or implies a qualitative distinction.

Theoretically speaking, it seems clear that the two ideas are distinct. Inequality is concerned with how a given amount of resources or income is distributed among the units of analysis (persons, families, households, etc.). From this point of view, equal shares for all, mean absolute equality; and concentration of all the resources on one unit with zero shares for the others, mean extreme inequality. Thus, the concept of inequality does not take into consideration the way in which the shares that accrue to each unit translate into *living standards* and *life styles*. Minimum inequality may coexist with maximum poverty (where all are equally poor)(World Bank, 1990, p.26).

Poverty, on the contrary, is primarily defined with reference to living standards and life styles. Whatever the concept adopted to define it -- absolute, relative or subjective --, poverty is concerned with the conditions that must be met, or resources needed, for having access to a certain life standard and life style. Moreover, it assumes that there exists a threshold, however established, below which the resources mean poverty.

It has been stressed that poverty is related to inequality, but should be distinguished from inequality. Vic George (1980) points out that "In spite of the fact that relative poverty is the tail-end of inequality, it is viewed differently both morally and politically" (p.3). Piachaud (1981) expresses the same idea in very similar terms: "inequality is not the same as poverty. The term «poverty» carries with it an implication and moral imperative that something should be done about it" (p.421).

It seems that, for both those authors, the distinction between poverty and inequality lies only on elements of a moral and/or political nature. The importance of these elements should not be underestimated. They carry sufficient weight to highlight the relevance of the distinction. However, it seems legitimate to ask whether the distinction should not also be established on technical grounds. In other words, is poverty distinct from inequality only by moral and/or political criteria?

Whatever the hypothesis about the mathematical function that relates deprivation to income, it seems logically necessary that, in the downward direction, there be a point (or range) at which living conditions and life style undergo a qualitative degradation. The identification of this "threshold" must be based on «absolute» criteria (e.g. for hunger, even if generalized), as well as on «relative» criteria (e.g. for exclusion from what is customary in the society). Here seems to lie the main distinction between inequality and

poverty, of which the moral and political imperatives are an implication.

Issues related to the "localization" of that "threshold" (point or range) are complex and the corresponding opinions controversial. Moreover, value judgements certainly inform the choice of the «threshold». The threshold seems to emerge from real life situations and should not be kept dependant exclusively on political judgements or administrative conventions. These issues are at the heart of Townsend's effort towards the empirical verification of a cut-off point, discussed in an earlier section of this chapter.

Sarpellon (1984) made a similar exercise, in which he tried to face the following basic question: "If, as we can almost definitely assert, poverty corresponds to a lower extreme on the scale of inequality, then we may ask at what level does inequality become poverty? That is, at what level is the continuous line interrupted, dividing groups or individuals into two separate sectors?"

Conceptually, Sarpellon places the discontinuity point in terms of the distance of the person from the "structure of inequality": "Poverty begins where the distance from the centre is such that contact is interrupted" (p.37). And suggests two ways for translating the concept into more concrete terms. The first adopts a "perception" approach, examining "at what level inequality in living conditions, for example, begins to be commonly -- or officially -- called poverty. This method places the problem in terms that are similar to those adopted by Georges and Piachaud. The second looks for empirical evidence of the point at which the distribution of living standards is interrupted and shifts towards the negative extreme. He acknowledges that, in practice, it is difficult to identify the point of rupture and mentions the fact that in the survey on poverty in Italy, for example, "it could only be gauged in a very imperfect and intuitive manner, given the added difficulty of precisely measuring the concept of living conditions"

(pp.38-39).

From the theoretical point of view, one may have situations of high levels of inequality without poverty, as well as high proportions of poverty practically without inequality. The former situation occurs when the better-off are well above the poverty line and the worse-off just above it. The latter is the case of a distribution in which the poor are just below the poverty line and the non-poor just above it.

Moreover, there is empirical evidence that the changes in the values of poverty indicators and of inequality indicators may take opposite (or different) signs in the same period of time, as may be verified in the changes that occurred in the Portuguese urban centres during the eighties, as will be seen later. This fact confirms that the two phenomena are not identical.

The distinction between inequality and poverty is also relevant from the policy point of view. Atkinson (1989) presents four schools of thought "about the relation between poverty and inequality", and shows how the objectives differ according to the weights attached to the concern for poverty and/or for inequality: a) attaching no specific weight to poverty; b) avoiding poverty has priority in assuring effective liberty, but inequality enters the assessment as a second concern; c) concern only with poverty; and d) trade-off between poverty and inequality (pp.35-37).

As was expressed by Labbens (1969): "A poor man is not a rich man with less money; he is another man. The differences between one and the other do not relate only to income, they concern also to education, social relations, in short to all the domains of social life: to be rich and be poor are two styles of life" (as quoted in Bartoli, 1986, p.43). These lines provide an illustration of the distinction between inequality and poverty and further suggest the multidimensional nature of poverty.

2.5.4. Poverty - a multidimensional phenomenon

Indeed, poverty is *multidimensional*. Here lies one of the main sources of the difficulty to measure it. The situation of "lack of resources", by which it is primarily defined is inextricably linked to the resultant deprivation and exclusion in a wide range of fundamental aspects of life: living conditions, power, social participation, citizenship, etc..

George (1980) argues that "by and large one type of disadvantage is related to another to create an intricate web of disadvantages". He describes the "web" as a result of the influence of power and supports that the few exceptions "do not alter the validity of the web of disadvantage argument; i.e. that low wages are the common denominator of social disadvantage" (p.20).

This apparently realistic view is generally supported by empirical evidence, for instance in Portugal, where the living conditions of the poor do constitute situations of multiple deprivation (Bruto da Costa and M. Silva (Coords.) et al., 1985).

Nevertheless, the generalisation of the argument has to be taken with caution. Stein Ringen (1982) notes that "In the Scandinavian societies of the 1970's the distributions of the various components of welfare are *not* strongly correlated. (...) The fact that an individual is deprived or privileged in one area does not strongly influence the probability that he or she will be deprived or privileged in other areas. (...) Of course, the distribution of welfare is not completely random. To some extent privilege and deprivation accumulate, and a low level of welfare does tend to be associated with low income. But these tendencies are *not strong*" (p.16-17).

In this respect, one should perhaps take into account the extent to which each society is dependent on the market system, namely with regard to basic needs (Room, 1990, pp.5-6). Thus, the situation mentioned by Ringen may be partly explained by the relatively high level of the Welfare State provisions in the Scandinavian countries.

In any case, it should be noted that the "common denominator" to which George refers cannot be taken to imply that to raise incomes is all that is needed to eradicate poverty. The different aspects of deprivation are related to different systems that constitute the institutional framework of the society (labour market, education, health, social security, housing, etc.). An improper policy in a system, say housing, may lead to a quantitative shortage of the supply (less houses than needed) or to a highly selective quality of housing (luxury and expensive houses), so that even a family with average income is deprived of housing, though not of other basic needs. This is the case in the main cities of Portugal, particularly in Lisboa.

This leads us to the concepts of *partial* and *total* poverty (Townsend, 1979, p.56), which are useful to distinguish those that are deprived in *all* the relevant aspects of the common life-style from those that are deprived in some aspects but meet satisfactorily their needs in other aspects. In countries like Portugal, this concept is particularly useful with regard to housing, a sector in which the levels of rents and prices are disproportionately high so that housing is inaccessible even to families with acceptable level of resources. The same perspective can be applied to the time dimension, to distinguish *temporary* from *long-term* poverty (Townsend, *ibidem*). This aspect is arousing increasing interest of poverty researchers, especially since the adoption of panel surveys has allowed the longitudinal study of the same sample of families during a sufficiently long period of time.

2.6. Conclusions

In the context of the present study, *poverty* is understood as a state of *deprivation* that results from *lack of resources*.

As seen in this chapter, there exist various and widely different definitions of poverty. Therefore, any study on poverty needs to begin by indicating the concept(s) adopted to distinguish the *poor* from the *non-poor*.

The most important concepts of poverty were analysed in the previous sections, with the objective of identifying the definition that seemed most adequate for studying poverty in Portugal.

Firstly, we analysed the **budget standards**, based on the approach adopted by Rowntree. It is obvious that the extremely narrow limits established by Rowntree to define *poverty* are not acceptable in our days. Rowntree's approach is «normative», rather than «absolute», as it has been generally classified. Indeed, Rowntree's original methodology was a mix procedures based on *scientific knowledge*, *lay opinions* and *empirical evidence*.

It seems possible to widen Rowntree's approach without affecting its «normative» character. This adaptation has been tried by some researchers. In broad lines, the original idea has developed along two paths: one maintains unaltered his methodology (the budget is the outcome of a process of listing and costing all the items that are considered as necessities); the other uses the approach exclusively with respect to food, and resorts to empirical evidence (e.g. Engel's curves) for estimating the share that corresponds to the set of non-food items.

Rowntree's definition of poverty has been largely criticised. Some critics admit that the approach can be improved. For others, the concept should be abandoned, since it does not take account of the *relative* nature of needs. Among the latter, the most outstanding author is Peter Townsend, for whom poverty can be defined objectively and the definition applied consistently only in terms of the concept of relative deprivation. For the «relativist» approach, poverty is understood as *essentially relative*.

One of the important problems concerning the relative approach lies in the establishment of the cut-off point for defining the poverty threshold. Methods that establish the poverty line in terms of a monetary indicator, place the cut-off point at a certain percentage of the lower income group or at a given percentage of the mean (or median) value of the indicator. These methodologies are not convincing in what concerns the reason a given percentage should represent the border-line between the poor and the non-poor. Therefore, these methods seem to reflect inequality rather than the poverty threshold.

A different approach has been suggested by Townsend, based on the hypothesis that as the household income decreases, a point is reached below which deprivation increases more rapidly as income decreases further. Such a point would represent the poverty threshold. Our data sources do not provide enough information on living conditions and life-styles to construct a deprivation index. The exercise undertaken with the few available indicators seems to confirm Townsend's hypothesis in the Portuguese case.

The idea that poverty is essentially a relative concept is not acceptable to some authors, notably to Amartya Sen. Though recognising that, especially against the simplistic absolute conceptualization of poverty, the relative view has represented an

important change, Sen considers that ultimately poverty must be seen to be primarily an *absolute* notion. According to Sen poverty is an absolute notion in the space of *capabilities* but very often it will take a relative form in the space of *commodities* or *characteristics*.

The foregoing considerations bring us to one of the theoretical assumptions underlying our study, namely that the goods and services that can be bought by a certain level of equivalent purchasing power can give the same amount of equivalent welfare (or identical equivalent life-style), irrespective of the "specificities" of the household or person.

It is obvious that the debate about the concept of poverty expressed in terms of *absolute* and *relative* concepts concerns not only social sciences but also philosophy. In this study we avoid the use of those terms and prefer, instead, the notions of *normative* and *behavioural* approaches, respectively.

The other poverty definition uses a «subjective» concept. The «subjective» methods are *intentionally* based on the opinions and judgements of the poor themselves or of public opinion (the society at large).

One of the most attractive aspects of this approach is its democratic look. However, when we take into account the fundamental difference between a *vote* (expression of a preference) and an *opinion* (the weight of which is measured primarily by its relation to knowledge), the intrinsic value of the subjective approach is relativised.

The «subjective» concept of poverty does not seem to emerge as a *substitute* to the so-called «objective» approaches. It is rather an useful *complementary* tool to take

account of the notion of poverty and basic needs that the relevant groups of the society have.

The distinction between *poverty* and *deprivation*, as presented by Townsend, has relevant conceptual and policy implications. Certain policies and actions may contribute to overcome deprivation (and are, therefore, *necessary*) without tackling the problem of *lack of resources* (and, therefore, are *not sufficient*). Traditionally, in countries like Portugal, action has dealt primarily with *deprivation*, helping the poor to meet their basic needs, and has contributed much less to weaken or eliminate the factors that explain *lack of resources*. This point explains partly the apparent contradiction stressed in the previous chapter, between the persistence of large-scale poverty in Portugal, despite a history rich in manifestations of individual and collective concern for the poor.

More recently, concern has been expressed about the *process of social marginalisation*. Castel envisages «marginalisation» as a *process* and situates extreme marginalisation at the end of a sequence of stages. The dynamics works on two main axes: a) de-integration from work relations; and b) de-integration from socio-familiar relationships. The dynamics implies a shift from the "zone of integration" to the "zone of vulnerability" (precarious work situation and fragile social relations) and from the latter to the "zone of de-affiliation" (extreme exclusion, characterised by a situation of no job and of socio-affective isolation).

What was said in the previous chapter about the type of society in medieval Portugal seems to illustrate Castel's framework, in terms that are similar to those of the example of the Ancien Régime in the West, used by the author. In what concerns present-day European societies, the framework seems equally useful to analyse extreme cases of poverty, in which the detachment from the labour market normally appears along with the cut off from the network of social relations and total socio-affective

isolation.

Castel's conceptual distinction between deprivation resulting from lack of resources and the rupture in the network of social relations provides a useful framework for the analysis of poverty and marginalisation in countries like Portugal. It helps to better differentiate *urban poverty* (mainly in the extreme case of vagrants) from *rural poverty*, insofar as the former is associated to social marginalisation more frequently than the latter.

Another conceptually difficult issue concerns the relation and the distinction between *poverty* and *inequality*. Common sense seems to dictate that the two ideas are distinct. *Inequality* is concerned with how a given amount of resources or income is distributed among the units of analysis (persons, families, households, etc.), without taking into consideration the way in which the shares that accrue to each unit translate into *living standards* and *life styles*. *Poverty*, on the contrary, is primarily defined with reference to living standards and life styles and assumes that there exists a threshold, however established, below which lack of resources means *poverty*.

The problem arises when we try to define the point below which less resources mean not only inequality but also poverty. Whatever the hypothesis about the mathematical function that relates deprivation to income, it seems logically necessary that, in the downward direction, there be a point (or range) that may be considered as the poverty threshold.

As seen earlier in this chapter, issues related to the "localization" of that "threshold" are complex and the corresponding opinions controversial. Moreover, value judgements certainly inform the choice of the «threshold».

Poverty is *multidimensional*. Here lies one of the main sources of the difficulty to measure it. The situation of "lack of resources", by which it is primarily defined is inextricably linked to the resultant deprivation and exclusion in a *range of fundamental aspects of life*: living conditions, power, social participation, citizenship, etc..

Victor George's argument that "by and large one type of disadvantage is related to another to create an intricate web of disadvantages" is generally supported by empirical evidence in Portugal, where the living conditions of the poor do constitute situations of multiple deprivation. Nevertheless, the generalisation of the argument has to be taken with caution.

Having seen the most relevant concepts of poverty, we will proceed, in the following chapter, with the analysis of the data available and the methodological aspects that have to be taken into account to establish a poverty line in Portugal.

3. THEORETICAL AND METHODOLOGICAL ASPECTS OF THE MEASUREMENT OF POVERTY

3.1. The choice of a concept

Poverty can neither be adequately understood nor efficiently combated if not measured. The approach to measuring poverty depends on the concept chosen. In some cases, different measuring methodologies may stem from the same basic concept. On the other hand, the "goodness" of a given concept cannot be assessed only with reference to its theoretical consistency and comprehensiveness. It needs to be practically usable for purposes both of scientific generalisation and the construction of consequential policies. Two conditions need to be fulfilled in this regard: *adequacy* of the concept to the particular context of the study; and availability of the necessary *data* and other pertinent information.

We should, therefore, re-examine, at this particular light, the main concepts described in the previous chapter, with the specific aim of choosing the definition that seems more adequate for studying poverty in Portugal. At the same time, the availability of data will be analysed.

When the "subjective" concept of poverty was discussed, some reservation was expressed with regard to the scientific grounds of the method. The point was made that the "subjective" approach should not be seen as a *substitute* to the "objective" approach, but rather as *complementary*.

In the case of Portuguese society, anyway, data constraints forbid any broad use of the methodology. *Our approach will, therefore, follow the "objective" concept.*

With regard to the "relative" approach, the most common poverty lines are defined in terms of a monetary indicator (usually income or consumption), and the threshold placed either at the level that corresponds to a certain percentage (say, 20%) of the households with the lowest income (or consumption), or at a certain percentage (e.g. 50%) of the average (or median) income or consumption.

It has been argued that such definitions imply that poverty can never be eradicated. In fact, however high the average income may be, goes the argument, there will always exist the bottom 20 percent of the households or households with 50% of the average income. Besides, as the average income grows, the incomes of the lowest 20 per cent also grow and will reach a point at which it can hardly be considered as poverty.

Atkinson (1975) refers to these "misconceptions" and notes, with regard to the former objection, that "it is quite possible to imagine a society in which no one has less than half the average income - in which there is no poverty according to this definition" (p.189). Indeed, it is a matter of the pattern of distribution. It may be objected that such a distribution pattern is very difficult, or practically impossible, to achieve. This does not mean that the pattern is in itself illogical.

As concerns the latter objection, Atkinson stresses that "the fact that the poverty line may rise with the general level of incomes is not simply a matter of 'keeping (up) with the Joneses'. It is a reflection of the interdependence of standards of living" (pp.189-190). And illustrates this statement with some empirical evidence presented by Jencks: "The goods and services that made it possible to live on £15 a week during the Depression were no longer available to a family with the same real income in 1964...many cheap foods had disappeared from the stores. Most people had enough money to buy an automobile, so public transportation had atrophied, and families without automobiles were much worse off than during the Depression... a person without a telephone could not get or

keep many jobs... During the depression, many people could not afford indoor plumbing and 'got by' with a privy. By the 1960s, privies were illegal in most places. Those who could not afford an indoor toilet ended up in buildings which had broken toilets."(as quoted by Atkinson, *ibidem*).

The approach is also subject to criticism due to the broad range of variability of values that have been given, in the existing studies, to the basic parameters. Taking the example of the poverty line defined as percentage of the average or median income, the cut-off points vary between 40 and 75 per cent. This range gives the impression that the operationalisation of the concept leaves space for a large degree of arbitrary choices. And none of the studies offers sound grounds for choosing one and not some other percentage from that range.²⁰ This is, no doubt, a major weakness of the method and the reason why the latter is not adopted in this study.

For others, still, a percentage of the average is an indicator of inequality rather than a yardstick for measuring *poverty*. Indeed, it is so when the dividing line does not mark the boundaries of exclusion. However, at least implicitly, poverty lines based on those methodologies assume that the percentage defines the threshold of exclusion. What one may ask is to what extent such an assumption is supported by empirical evidence. This is a question that relative poverty lines defined in monetary terms seem unable to answer satisfactorily.

As stated in the previous chapter, Townsend (1979) takes a different path. He stresses that "Inequality (..) is not poverty. Even if inequalities in the distribution

20. The most impressive example is, perhaps, that of the studies on poverty in the EEC-9 Member-Countries, undertaken by the European Commission in the mid seventies, in which the poverty line was placed at 50 per cent of average income (CEC, 1981, p. 1). No technical reason has been put forward to support the option and, yet, the figure has gained some tradition and credibility, at the very least for historical reasons (comparability of findings of later studies with those of the original study sponsored by the European Commission).

of resources are successfully identified and measured, those in the lowest 20 per cent or 10 per cent, say, are not necessarily poor. (...). Some criterion of deprivation is required by which a poverty line may be drawn and the numbers and characteristics of persons and families in the population who fall below the line estimated." (p.57). As also mentioned, for practical purposes Townsend prescribes the localization of the cut-off point by observation of the function that relates resources to the deprivation index.

The data sources used in the present study (HBSs) contain a very limited number of indicators that should be included in a deprivation index. Hence, at least for the time being, the methodology cannot be adopted for purposes of measuring poverty in Portugal. Nonetheless, a tentative exercise undertaken with the few available indicators, with the view of testing Townsend's hypothesis, seems to confirm it in the case of Portugal.

For all the mentioned reasons, *this study adopts a mix of "normative" and "inductive" methodologies*. In Portugal, as in most European societies, food habits do not necessarily correspond to the basic standards prescribed by nutritionists. Hence, it seems adequate to define food needs by a "normative" approach. However, the translation of the *nutritional elements* (calories, vitamins, etc.) into a *diet* (food items and respective quantities), as well as the estimation of the *non-food components* of the "basket" of necessities, will be made on the basis of the empirical data, following an "behavioural" (relative) approach.

The only "normative" reference, therefore, is the table of *nutritional allowances*, expressed in terms of calories, proteins, fats, carbon/hydrates, vitamins, fibre, etc. that were *established specifically for the Portuguese population* by a qualified nutritional research centre (Centro de Estudos Nutricionais, Instituto Nacional de Saude Dr. Ricardo Jorge). All the steps that follow -- from the translation of the selected nutritional table into actual food

items and respective quantities to the inclusion of non-food needs -- draw from empirical data that reflect the actual life-style of the population in general.

3.2. Poverty Lines

One of the prerequisites for measuring poverty is the availability of a practical device for identifying the poor, i.e., a "boundary line" for distinguishing the poor from the non-poor. The establishment of such a threshold -- "poverty line" -- is the first step towards measuring and analysing poverty.

The methods for defining poverty lines offer subject matter for endless discussions. It is, therefore, useful to draw attention to the fact that the present study endeavours to measure and understand poverty in a country where, in the early eighties, more than one fourth of the households (meaning about 2.5 millions of persons) were poor, in the sense that they could not meet at least some of their necessities, as we shall see. In such a context, some of the concerns related with the degree of precision of the poverty line are irrelevant from the practical point of view, and may even have the detrimental effect of diverting the attention to less important aspects of the problem. Over-emphasis on precision will, therefore, be avoided as much as over-simplification.

Considering the number of aspects in which the degree of precision of the available data is questionable and having in mind the role of a poverty line, it may seem pretentious or be illusory to claim that such a line should, or can, be represented by a *precise* figure. It seems truer and, in this sense more "exact", to take the poverty *line* as a symbolic representation of a *range*.²¹ In the empirical part of the study, a *range* threshold is used and the results of the analysis confirm

21. See, e.g., Atkinson(1989), p. 27.

the usefulness of such a procedure.

3.2.1. The choice of indicators

In principle, a given concept of poverty should suggest the type of indicators that are appropriate for assessing living conditions and measuring resources. The concept should also suggest the approach for establishing, for each indicator, the cut-off point that represents the respective "boundary-line" between the poor and the non-poor. This implies that "Some criterion of deprivation is required by which a poverty line may be drawn" (Townsend, 1979, p.57).

Since, in general, poverty is a multidimensional phenomenon, such a set of indicators should be comprehensive, i.e., should encompass all the dimensions of poverty and include quantitative as well as qualitative aspects. Methodologically, therefore, the threshold of deprivation should firstly be expressed in terms of direct indicators of living conditions and, then, translated into the amount of resources needed to live at (or above) the defined threshold.

This is what Rowntree endeavoured in his studies on poverty in York: listing the "necessities" that, according to given criteria, would have to be met, and estimating the cost of the resultant standard. The main feature of Rowntree's method lies in that, for some of the indicators, the list of needs and the cut-off points were established by a normative approach.²²

On the other hand, following his "relative" concept of poverty, Townsend (1979) presented a corresponding methodology for defining the threshold.

22. As already mentioned, some researchers have tried to improve and update Rowntree's methodology (see, e.g., Plachaud (1979), Bradshaw et al. (1987), and, more recently, Bradshaw et al., at the Family Budget Unit, UK.).

Townsend built up a list of sixty indicators of the "style of living" of the population, and ultimately compiled a *deprivation index*. Having observed that the data from the survey undertaken showed a sharp increase in deprivation at the lower levels of net household income, Townsend hypothesized -- as already mentioned in the previous chapter -- that "as resources for any individual or family are diminished, there is a point at which there occurs a sudden withdrawal from participation in the customs and activities sanctioned by the culture." And suggests the "The point at which withdrawal 'escalates' disproportionately to falling resources could be defined as the poverty line" (p.57).

Townsend's "relativist" methodology differs from Rowntree's procedure in two aspects: a) the list of needs and, therefore, the set of "life style" indicators is considerably broader and tries to cover a wide range of activities, customs and roles, in an attempt to fulfil the total social needs of the members of a given population in relation to the relationships, obligations and customs of the members of that population; and b) the cut-off point is entirely obtained by an empirical approach and not by any normative criteria.

Following Townsend's approach, Mack and Lansley (1985) adopted a multidimensional methodology based on a set of 35 indicators of life style to measure and analyse poverty in Britain. However, in this case, the cut-off points were drawn from "socially perceived necessities" (p.9), identified by resort to the public opinion, rather than by comparing behaviour with total income.

From the theoretical point of view, the use of direct indicators of "life style" seems to correspond to the most appropriate procedure. However, in the present study, a number of simplifications have been introduced, for several reasons.

Firstly, due to data constraints. This study is fundamentally based on data

from the *Household Income and Expenditure Survey of 1980-81* (HIES/1980) and the *Household Budget Survey of 1989-90* (HBS/1989), both conducted by the National Institute of Statistics. These surveys offer a very limited coverage of the indicators that are demanded by the methodology referred to above. Nevertheless, since the HBS/1989 includes data on some living conditions, a tentative exercise was undertaken to relate living conditions to consumption and to test Townsend's hypothesis in the Portuguese case.

Secondly, the choice of the relevant "necessities" and the location of the cut-off point for each of the corresponding indicators are extremely complex tasks and their outcomes highly controversial. It seems advisable, therefore, to turn to less contentious criteria, rather than seek higher (but debatable) degrees of sophistication that are likely to reduce the "convincing power" of the method and, hence, the "credibility" of the poverty line and of the subsequent analysis.

Thirdly, the difficulties of working with qualitative indicators are well-known. The use of ordinal variables is of some help in this case, but does not solve all the problems that have to be faced. Hence, the more frequent use of interval/ratio variables.

Fourthly, it is extremely difficult to work on a wide set of quantitative variables, each defined in its own specific units. Composite indexes have been developed, but the space open to subjective judgments in the process of constructing such indices also renders their consistency a debatable issue.

In view of all these factors, there has been a tendency towards using a *monetary* indicator (expenditure, consumption, income or resources) for defining the poverty threshold. This procedure simplifies considerably the process, by reducing it to the estimation of the level of a single and easily workable indicator, under which a person or family should be considered as poor.

The method assumes that there is a strong correlation between the values of the chosen monetary indicator and actual living standards. This assumption deserves some comments.

West European societies are based on market economies. Except for a limited number of aspects (such as health, education, etc.) which, to varying degrees, are partially or globally "protected" from the market mechanisms, most of the goods and services are purchased in the market, at market prices. Thus, in principle, the actual access to a given commodity or service depends basically on the *purchasing power* of the persons and families. To a large extent, therefore, the real entitlement to a given "living standard" or "life style" depends on having the amount of disposable income needed to purchase the corresponding goods and services.²³ The task of defining a poverty line is, thus, reduced to the estimation of the level of resources that gives access to the chosen living standard.²⁴

So that the method may lead to reliable results, the value of the indicator must comprise all its components and types. This implies, *inter alia*, the inclusion of the values of items of income or expenditure such as transfers from Government, income in kind, self-production, self-consumption, owned housing and goods and services acquired free of charge or at reduced prices.

This condition is met by the HIES/1980 and the HBS/1989 to an acceptable degree. In this aspect, therefore, the use of a monetary indicator does not, by itself, hinder the establishment of a reliable poverty line. Nevertheless,

23. With regard to the 64 indicators of the «style of living» used in his study on Poverty in the United Kingdom, Townsend found that "The relationship between most (as many as forty-two) indicators of deprivation and income (...) is highly significant" (Townsend, 1979, p. 1173).

24. This does not mean that the eradication of poverty is a mere question of increasing individual resources. On the other hand, it should be stressed that life styles are not "made up" of goods and services alone. However, we will not discuss in this study the role of non-marketable and not purchasable items, nor the relation between poverty, fulfilment and happiness in all its dimensions.

not, by itself, hinder the establishment of a reliable poverty line. Nevertheless, such a line should be considered as a mere *proxy* for translating a multidimensional phenomenon.

Two other points need to be stressed in this respect. Firstly, the expenditure (or consumption) under the heading "health" is not necessarily a positive indicator of the level of health, though it may be of the access to health services. It may well express sickness rather than health. Furthermore, in the Portuguese case, expenditures in housing underestimate the relative importance of this item, due to the "freezing" of the rents (between 1948 and 1985 for Lisbon and between 1974 and 1985 for the rest of the country) and to a global lack of houses, with the consequent overcrowding and shared housing.

Secondly, the adoption of a single monetary indicator assumes that the supply of the relevant goods and services is ensured by the market in sufficient quantities, at appropriate places and at the defined prices. The assumption is not entirely realistic, specially with regard to the needs of lower income groups. In our case, however, this problem does not arise, since we are estimating a poverty line to assess the past (and not proposing a threshold for the future) and the method is based on goods and services *actually* purchased by an acceptable proportion of the population.

For all the reasons mentioned, it is always useful to work out direct non-monetary indicators of living conditions, when data are available.

3.2.2. *Total resources, income, expenditure or consumption?*

Though apparently simple, the use of a monetary indicator for defining the poverty line is not devoid of difficult choices. The first of these choices refers to

the indicator itself. Which of the monetary indicators should be considered as the best proxy for the "living standard" or "life style"?

The most comprehensive monetary indicator is represented by *total resources*, comprising, as suggested by Townsend (1979), the following items: cash income (earned, unearned and social security); capital assets (house/flat occupied by family, and living facilities; and other assets and savings); value of employment benefits in kind; value of public social services in kind (health, education, etc.); and private income in kind (home production, gifts, etc.) (p.55). However, the collection of reliable information on all those items is extremely difficult. To begin with, it requires specific and expensive surveys. Most of the national studies on poverty have to rely on family budget surveys (or similar data sources) conducted by the statistical offices, most of which contain no information on capital assets. Therefore, total resources may be sporadically used for defining the poverty line, but cannot be considered as a possible indicator for most of the studies.

The next best proxy is *income*. It allows the analysis of *savings* and the inclusion of a certain amount of savings as a basic need (a type of "safety net" to face extraordinary expenditures or the uncertainties of the future). As mentioned above, it does not suffice to estimate the amount of *income in cash*. It is equally necessary to take into account the monetary value of the different types of *income in kind* (fringe benefits, etc.). On the other hand, it is usually more adequate to use *permanent income* instead of *current income*, so that the assessment is not biased by the circumstances of a particular moment in time.

It should be noted that *income* is an indicator of the *capability* to meet basic needs, and does not necessarily reflect the *actual* living conditions of the earners and their families. The relation between the two aspects depends on: a) the actual system of preferences and priorities on which the family bases the

allocation of the disposable income; b) the distribution of the disposable income within the family; and c) whether or not the market provides the necessary goods and services in adequate quality and quantities and at convenient prices and places.

It may be argued that the first of those conditions is irrelevant for the purpose of defining a poverty line, on the assumption that the real problem consists only in ensuring that each person and family has enough income. This means that the *allocation* of the available resources is left to the domain of personal (or family) decisions. This approach is primarily concerned with *the right to a minimum level of resources*. As Atkinson (1989) explains, "On this basis, families are entitled, as citizens, to a minimum income, the disposal of which is a matter for them" (p.12).

The same may be said about the distribution of income within the family.

It seems useful to stress here the meaning given to the poverty line in the context of the present study. No doubt, the study tries to relate indicators of living conditions to monetary indicators. However, what the poverty line is intended to highlight is that those households that lie *below* the line are necessarily deprived (cannot, in normal conditions²⁵, avoid being deprived). This does not mean that those who are *above* the line *ipso facto* enjoy the life style that their income would permit. The latter is a matter of whether or not families with a level of income theoretically enough to cover needs actually allocate their resources to this aim -- an aspect that is beyond the scope of this study.

The third condition, however, is in any case decisive. Market forces may hamper the access of low-income groups to certain goods and services, due to

25. Leaving aside the resort to borrowing, etc., which is not a "normal" way of facing consumption on basic needs.

higher prices or scarcity of goods and services. In such a situation, a given amount of resources does not necessarily guarantee effective access to essential commodities.

Still another issue concerns the "human costs" of the personal or family income. It may be (in Portugal it often is) the case that a family only manages to have a certain level of income at the cost of too heavy working conditions. As the Family Budget Surveys do not allow the assessment of the latter aspect, this difficulty, though undoubtedly important, seems insurmountable, until new studies allow this piece of information to be incorporated into operational definitions of deprivation.²⁶

In some countries, the reliability of the data on income is a decisive factor in the choice of the indicator. It is known that one of the main shortcomings of *income* as a poverty indicator lies in the fact that it tends to be over-reported by the respondents of the lower deciles and under-reported by those of the higher deciles. In the case of Portugal, Teekens (1990) showed that, for data from the HIES/1980, from the fifth decile upwards income is systematically below expenditure, with a steadily increasing gap. Using the same source and comparing the data with figures from the National Accounts, Pereirinha (1988) had estimated that the under-reporting of income should correspond to about 33 per cent (p.638).

In spite of the theoretical advantages of income as a monetary indicator, therefore, practical reasons related with the reliability of data recommend, in our case, the use of one of the other monetary indicators currently considered: expenditure or consumption.

26. For a discussion of the advantages and shortcomings of income as the sole indicator of deprivation, see e.g. Atkinson(1990).

In this regard, it is important to recall the conceptual distinction between expenditure (current) and consumption. *Expenditure* corresponds to the value of goods and services directly paid or disbursed by the person or family ("out-of-pocket" spending). It does not take account of those goods and services that the family acquires free of charge (e.g. educational services) or at reduced prices (e.g. pharmaceuticals), and are totally or partly financed by other institutions (e.g. government). Another set of goods may be acquired by the family by mechanisms of self-production or self-consumption. Those who dwell in owned housing do not have to disburse money for paying the rent. The sum of all these items with the value directly spent (financed) by the family gives the value of total *consumption*, which is the proper indicator for measuring the effective "cost" of the family's living standard.

When choice is possible, it seems clear that consumption should be preferred to expenditure. *Consumption* is the indicator used in the present study.

3.2.3. *Unit of analysis*

The other choice that the measurement of poverty implies concerns the "unit of analysis". Should the analysis focus on the person, the family, the household or on some other unit?

It does not seem possible to state that a particular unit is *always the best*. The most adequate unit varies with the underlying value judgements and with the particular aspect of poverty one wishes to analyse. In this case, too, the decisive factor is sometimes the availability of data.

In principle, the concern for poverty is ultimately directed towards the poor *person*. Notwithstanding the fact that poverty should be understood and tackled as

a social problem, the ultimate reason for concern is each human being. It seems to follow that the unit of analysis should be the *individual*. The perspective of the "*individual right*" to *minimum resources or life-style* reinforces the importance of such an approach.

On the other hand, however, the assessment of the amount of resources or commodities to which a person has access depends on whether, economically speaking, the person lives alone or is part of a "pool" of resources (and expenditures) with other person(s). In the latter case, the choice of the individual as the unit of analysis would bias the results of the analysis. The most common "pool" is represented by the *family* (husband, wife and dependent children). Various reasons can be presented in favour of this unit.

Firstly, it is assumed that, generally speaking, the life-styles of the persons that belong to the same family are equivalent. Thus, and insofar as poverty is associated to a certain life-style, it can be referred to the family as a whole. Further, life-style depends on the resources available, and here again what counts is the total amount of resources that accrue to the family, assuming that it is managed globally (Sarpellon, 1988).

However, this approach raises some problems. One of such problems concerns the role of social protection. If one of the members of the family (say, the husband) is unemployed, the approach may lead to establish the entitlement to the unemployment benefit according to the level of global resources of the family. Such a policy would affect the principle of individual right of the worker to social protection during unemployment.

The second type of problems relates to the fact that it is sometimes extremely difficult to establish the extent to which income is really pooled. The use of the family as the unit of analysis assumes that the total resources benefit equally (or in

equivalent terms) all the members of the family. However, the distribution of resources within the family may present inequalities and even discrimination in relation to some of the members (women and the elderly, for example). This problem may be understood in two ways. It may be considered as an abnormal situation that highlights the importance of analysing the living conditions on an individual basis. In several surveys, the data on resources are globally presented, but some relevant aspects of the living conditions are referred to each member of the family. According to the other perspective, suggested by Sarpellon (1988), "it is fairly difficult to qualify such a situation (of contrast and discrimination against some member of the family) as poverty, unless we give to that term a significance so broad as to strip it of any specific meaning" (p.5).

The question of distribution within the household has been arousing the concern of researchers (see, e.g., Atkinson, and Jenkins, 1991).

Some of the surveys and studies use, as the unit of analysis, the household, defined as the group of persons that share a common dwelling and a common budget. Given these two characteristics, the household seems to extend the advantage of the family, insofar as it allows the analysis of a broader unit with a common pool of resources. However, this procedure also presents difficulties.

Indeed, it follows from the definition of the household that there may be multi-family households. The fact that two or more families have to share a common dwelling may, in itself, be a consequence of shortage of houses (and, therefore, an indicator of deprivation) and/or of a broader and deeper type of poverty. Young couples living with the parents of one of the spouses are an example of this type of deprivation. This is an aspect of poverty that can only be identified if the analysis is based on the family.

Our study will only analyse *households* and *individuals*, due to lack of

information on families.

In fact, the *central statistical unit* in the HIES/1980 and the HBS/1989 was the *household*, as defined below. The other two units of observation were the *individual* and the *housing unit*. Where necessary, the household was characterised by its *representative*, freely appointed by the household.

3.2.4. *Updating poverty lines*

The studies on poverty have underscored the limitations of cross-section analyses and the need to investigate the changes that occur over a certain period of time. This is true for the trends of poverty as a social problem as well as along the life-cycle of the individual or the family. The distinction between "temporary" (short-term) and "permanent" or "persistent" (long-term) poverty is one of the basic aspects that must be analysed for a more comprehensive understanding of poverty. More generally, it is the issue of the *dynamics of poverty*.

The most adequate instrument for the such "longitudinal studies" are the so-called "panel surveys", that collect information on a single (and always the same) sample, at regular intervals and during a sufficiently long period of time.

The experience of panel studies is still incipient in Europe. Hopefully, they will progressively cover an increasing number of countries. In our case, however, the basis for the analysis of the trends and changes in time is limited to the data of two surveys based on independent samples. Longitudinal analysis is, therefore, out of question in this study.

The comparison of poverty in two different points in time poses, *inter alia*, the question of updating the poverty line.

At first sight, the fact that we will be using a monetary indicator -- more specifically, consumption -- could seem to indicate that the problem of updating the poverty line consists in the mere compensation for the price changes. The use of the *consumer price index* should, then, be sufficient.

However, even if changes in prices had been the only relevant updating factor, the compensation of a poverty line for those changes raises an important problem. The consumer price index is based on the average value of the price of a basket of commodities with different relative "weights". The commodities included in the basket may not (and usually do not) coincide with those that are considered for defining a poverty line. Secondly, the structure of the basket (relative weights of the commodities) is generally different from the structure of a poverty line, due to the simple fact that the consumer price index is expected to reflect the average structure of consumption and the poverty line is based on the structure of the lower income groups. Therefore, the "relative price changes" (between the different commodities) influence differently the average basket and the poverty line. The correct procedure, therefore, consists in using the specific inflator of each of the components of the poverty line, taking into consideration the relative weight of each component in the estimation of the global price change during the period.

However, the compensation for the changes in the prices of the commodities is not the only aspect that must be considered. Changes in the pattern of the needs themselves must also be taken into account. New needs may have emerged and others may have vanished. It is known that, in general, the net result of these changes is positive, i.e. in the direction of an increase of needs. The simple example of the telephone will suffice to illustrate this point. The way in which the modern society is organised takes for granted that everyone has a private telephone or an easy access to a public telephone. When this is not the case, the

person is not only deprived of an "additional" generalized facility, but may see his or her communication "capability" actually reduced, in relation to the period in which the telephone did not exist and the society was organised accordingly.²⁷

In the case of education, the number of years of school adopted for the cut-off point will naturally increase as the average number of years of schooling increases and, most important, as the minimum educational requirements for having access to a job increase.

Thus, it can be clearly seen that the updating of a poverty line demands the consideration of aspects that go far beyond changes in prices.

In the present study, the diet and the corresponding food costs, as well as the Engel coefficient, were calculated separately from the two surveys. Such a procedure implicitly takes into account the changes occurred during the eighties in prices, in needs and in the life-style. As will be seen later, the poverty line thus estimated for 1989-90 was slightly lower than the level that is obtained by the updating of the 1980-81 poverty line with the consumer price index.

3.2.5. A common European Community poverty line?

One of the current concerns at the level of the European Community is related to the question as to whether it is desirable and possible to have a common poverty line for the Community.

Until recently, estimates of the numbers of the poor in the Community were obtained by adding up national figures that result from the adoption of a country-

27. Similar examples could be given with regard to transport, urbanisation, etc..

specific poverty line for each member-state. However, it can be argued that the poverty rate based on the mere sum of national figures does not have the meaning of a real Community poverty rate.

Some attempts have been made to estimate a common Community poverty line. Atkinson (1989) discusses the issue and undertakes an illustrative exercise with some Community based poverty lines. Another study (ISSAS, 1990) defines a common poverty line as a certain percentage of the Community average household expenditure per adult equivalent (pp.22-23). Prior to any assessment of the methodological aspects, those attempts suggest a basic question concerning the actual meaning of the outcome.

If the concept of poverty is related to a specific *context*, from which the poor are *excluded*, one may ask what does a poverty line based on the Community average expenditure really mean. Given the high degree of heterogeneity of life-standards and life-styles within the Community, the average (or any other indicator of the central tendency) does not seem to carry any particular meaning for the purpose of defining the threshold of exclusion from a given context. Thus, the question on "exclusion from what" remains unanswered.

Even within the national context, one may discuss the adequacy of a single national poverty line, and ask whether one should nor rather use different poverty thresholds according to the specific characteristics of certain regions. The distinction between rural areas and urban centres seems justified in countries like Portugal and we take it into account in our study.

In the present stage of the building up of the European Community, the notion of exclusion does not have a real meaning beyond national boundaries. Therefore, the association of the idea of exclusion to a common European poverty line seems artificial. For the time being, at least, it does not seem possible to speak

consistently of "exclusion" with reference to the global Community context.

It may, nevertheless, be argued that the adoption of a common poverty line may constitute a step toward the construction of a "sense of belonging" to the Community, that may progressively give meaning to "exclusion" from the European context.

In the meanwhile, however, the more correct approach to measuring the extent of poverty at the Community level still consists (and will consist in the near future) in measuring it in each member-state and adding up the national values to obtain the European figure.²⁸

3.3. Equivalence scales

The amount of resources needed by a family (or household) to enjoy a given life-style depends on its composition. It varies with the number of members in the family. To enjoy a given level of living, a couple with two children needs more resources than a couple without children or a single person. It varies also with the age structure of the family and, for some authors, with the distribution of the members by gender. Besides these, other family characteristics are deemed to influence needs. Of all, the size (number of members) and the age structure are the most commonly considered in the studies related with poverty.

On the other hand, the estimation of the total amount of resources needed for a given level of living has to take into account the *economies of scale*. Put in simple terms, this means that in a family of n members living together (that is, having a common pool of resources and sharing consumption commodities) the

28. This procedure is not exempt from various methodological problems and difficulties encountered in inter-country comparisons, which will not be addressed here. In this respect see, e.g. Atkinson (1990).

total amount of resources (R) needed to enjoy a given level of living or life-style (L) is less than the sum of the amounts (r) that each family member would need to enjoy the same level of living independently. That is,

$$R = nr - e$$

where e is the amount "saved" due to the pool.

The poverty line has to be referred to the unit of analysis chosen. In order to verify if a family (or the household) is (or is not) poor, its resources have to be compared with the poverty line that corresponds to its respective composition. In principle, therefore, we would need as many poverty lines as the family compositions that exist in the population. However, the task is highly simplified by the use of an *equivalence scale*, which is a device for expressing the composition of the family (or household) in terms of a single standard unit. Giving the value of 1 (one) to the chosen standard (say the head of the family or the first adult), the scale provides coefficients that express the number of "equivalent adults" that correspond to each of the other members of the family. Thus, the composition of each family can be expressed by the number of equivalent adults.²⁹

One of the simplest equivalence scales, used in the studies undertaken within the First European Programme to Combat Poverty -- currently known as the *EEC scale* -- attaches the value of 1 to the first adult and of 0.7 to each of the remaining members of the family.³⁰

Another scale, known as the *OECD scale*, differs from the previous in that it

29. The well-known «per capita» income corresponds to the equivalence scale in which all the members of the family have the same "weight" of 1.

30. Thus, for example, the number of equivalent adults (m) that corresponds to a family of 4 members (n = 4) is given by the following equation: $m = 1 + 0.7(n - 1) = 3.1$.

distinguishes adults from children. In this case, $m = 1 + 0.7(a - 1) + 0.5 \times c$, where: a is total number of adults and c the number of children.

Empirical studies show that important aspects of poverty, such as the numbers of the poor and their distribution by age or occupation, vary with the equivalence scale adopted. And, in spite of the considerable amount of research done in this field, there is still incomplete consensus as to the best equivalence scale.

Buhmann and his colleagues (1988) proceeded to a very useful comparative analysis of over 30 equivalence scales. According to the authors, those scales "can be represented quite well by a single parameter, the family size elasticity of need". The authors assume that economic well-being or "adjusted" income, can be equated to disposable income (D) and size (S) in the following way:

$$\text{"Adjusted" income} = D/S^e$$

The equivalence elasticity, e , varies between 0 and 1; "the larger it is the smaller are the economies of scale assumed by the equivalence scale" (p.119). The equivalence scales considered in the study present elasticities that cover almost the whole range between 0 and 1.

In the empirical part of our study, the ILO scale was used for food necessities, once it was specifically designed to estimate food allowances. For the total poverty line, the OECD scale seemed preferable, since it refers to total consumptions and, although distinguishing the needs of adults from those of children, is easily usable.³¹

31. For an illustration of the effect of the equivalence scale on the poverty rate of nine countries, see Atkinson (1990).

An assumption that is implicit in the use of equivalence scales is that the intra-household distribution of resources (or consumption) is equitable, that is, corresponds to the proportions prescribed by the scale. However, as mentioned earlier, reality may be far from that assumption with the consequence that the conversion of the numbers of poor households into the numbers of poor persons may lead to different results. In this study, this problem will be ignored.

3.4. Conclusions

So that a concept may be used for studying poverty it must be theoretically consistent and comprehensive, adequate to the particular context of the study and practically usable (which implies, *inter alia*, availability of the necessary data and other pertinent information).

Due to data constraints, our study could not use the «subjective» concept. Therefore, *our approach followed the "objective" concepts.*

With regard to the *relative* approach, the methodologies that operationalize it by means of a monetary indicator (e.g. income), leave space for a large degree of arbitrary choices, in the localization of the cut-off point. This is a major weakness of the method and the reason why we do not use it in this study.

As mentioned in the preceding chapter, Townsend takes a different path and prescribes that the localization of the cut-off point be done by observation of the function that relates resources to the deprivation index. The data sources used in our study (HBSs) contain a very limited number of indicators that should be included in a deprivation index. Therefore, the methodology cannot be adopted for purposes of measuring poverty in Portugal. Nonetheless, a tentative exercise undertaken with the available indicators seems to confirm Townsend's hypothesis in the case of Portugal.

For all the mentioned reasons, **this study adopts a mix of "normative" and "inductive" methodologies**: food needs, as expressed in terms of *nutritional allowances* (calories, proteins, vitamins, etc.), are define by a *normative* approach; the translation of the *nutritional elements* into a *diet* (food items and respective quantities), as well as the estimation of the *non-food components* of the "basket" of necessities, are based on empirical data, following a **"behavioural"** (relative) approach.

The *nutritional allowances* (the only "normative" reference) were drawn from a table *established specifically for the Portuguese population* by a qualified nutritional research centre. All the steps that follow are based on the actual life-style of the population in general.

Given the number of aspects in which the degree of precision of the available data and methodologies is questionable, we prefer to consider the poverty *line* as a symbolic representation of a *range*. As will be seen in the empirical part of this study, the use of a *range* allows a more realistic measurement of poverty.

Although recognising that poverty is a multidimensional phenomenon that can only be comprehensively represented by a set of indicators, **the present study uses a (proxy) monetary indicator**, since the surveys that are the main data sources for this study (HIES/1980 and HBS/1989) offer a very limited coverage of direct indicators of life style. The method assumes that there is a strong correlation between the values of the chosen monetary indicator and actual living standards. This assumption seems acceptable since in a society based on the market economy (such as the Portuguese), the access to a given commodity or service depends basically on the *purchasing power* of the persons and families.

The adoption of a single monetary indicator assumes that the supply of the relevant goods and services is ensured by the market in sufficient quantities, at appropriate places and at the defined prices. The assumption is not entirely realistic. In our case, however, this problem does not arise, since we are estimating a poverty line to assess the past and the method is based on goods and services *actually purchased* by an acceptable proportion of the population.

Although the most comprehensive monetary indicator is represented by *total resources*, this indicator could not be adopted due to lack of information on assets.

The next best proxy is *income*. It allows the analysis of *savings* and the inclusion of a certain amount of savings as a basic need. However, it is known that one of the main shortcomings of *income* as a poverty indicator lies in the fact that it tends to be over-reported by the respondents of the lower deciles and under-reported by those of the higher deciles. This is the case of Portugal, as was empirically verified. Given that *consumption* is more comprehensive than *expenditure*, the former was the indicator used in this study.

The other choice that the measurement of poverty implies concerns the *unit of analysis*. It does not seem possible to state that a particular unit is *always the best*. The most adequate unit varies with the underlying value judgements and with the particular aspect of poverty one wishes to analyse. In this case, too, the decisive factor is sometimes the availability of data.

Notwithstanding the fact that poverty should be understood and tackled as a social problem, the ultimate reason for concern is each human being. On the other hand, however, the assessment of the amount of resources or commodities to which a person has access depends on whether, economically speaking, the person lives alone or is part of a "pool" of resources (and expenditures) with other

person(s). It is assumed that, generally speaking, persons that belong to the same unit have equivalent life-styles. The most common "pool" is represented by the *family* or the *household*.

The two main objections that have been raised to the choice of these units are, firstly, some perverse effects of social protection policies that are based on the family and inequalities in the distribution of resources within the household (or family).

Our study will only analyse *households* and *individuals*, due to lack of information on families. In fact, the *central statistical unit* in the HIES/1980 and the HBS/1989 was the *household*. The other two units of observation were the *individual* and the *housing_unit*. Where necessary, the household was characterised by its *representative*, freely appointed by the household.

The comparison of poverty in two different points in time poses the question of updating the poverty line, taking into account **changes in prices** and **changes in the pattern of the needs**. In the present study, the poverty line was **calculated separately** for the two surveys (of 1980-81 and 1989-90), thus considering both those types of changes.

The amount of resources needed by a family (or household) to enjoy a given life-style depends on its characteristics. The *size* (number of members) and the *age structure* are the most commonly considered in studies related with poverty. On the other hand, the estimation of the total amount of resources needed for a given level of living has to take into account the *economies of scale*.

In order to verify whether a family (or the household) is (or is not) poor, its resources have to be compared with the poverty line that corresponds to its respective composition. The task is highly simplified by the use of an *equivalence*

scale.

There exist over thirty equivalence scales. Empirical studies show that important aspects of poverty, such as the numbers of the poor and their distribution by age or occupation, vary with the equivalence scale adopted. Nevertheless, in spite of the considerable amount of research done in this field, there is no consensus as to the best equivalence scale.

In the empirical part of our study, the **ILO scale** was used for food necessities, once it was specifically designed to estimate food allowances. For the total poverty line, the **OECD scale** seemed preferable, since it refers to total consumption, distinguishes the needs of adults from those of children and is easily usable.

4. A POVERTY LINE FOR PORTUGAL

4.1. The data

As stated earlier, our empirical study is based mainly on information drawn from the following two sources:

- the *Household Income and Expenditure Survey 1980-81* (HIES/1980);
- and
- the *Family Budgets Survey 1989-90* (FBS/1989).

Both these surveys were conducted by the National Institute of Statistics. The access to the micro-data from those surveys was fundamental for carrying out our research. The main characteristics of the two surveys are given below.

4.1.1. Household Income and Expenditure Survey 1980-81

Though not intended to provide data for studies on poverty, the HIES/1980 was one of the most comprehensive surveys of this nature undertaken in Portugal³². The inquiry developed from *March 1980 through February 1981*, covering practically the whole country (Mainland, Madeira and the Island of S. Miguel, in Açores). *The present study covers only Mainland Portugal.*

As is usual in this type of surveys, it only comprises persons living in "classical housing" (therefore, excluding persons living in institutions and the

32. The main objectives of the survey were: the updating of the consumer price index; analysis of the personal distribution of income; analysis of the consumer behaviour; establishing the basis for the direct estimation of the final consumption of households; housing occupation systems; and survey of savings.

homeless).

The central statistical unit of observation is the *household* (literally translated as "private domestic aggregate"), defined as follows:

"a) the group of persons that reside in the same housing unit and whose current housing and food expenditures are covered by a common budget;

b) the person that occupies entirely a housing unit or who, though sharing it with others, does not meet the previous condition" (INE, 1985, p.IX).

The survey also considered as units of observation all the *individuals* that belonged to the household and were present at the moment of inquiry and some among those that were absent³³.

Consumption includes not only the goods and services bought by the households, but also the so-called "**complementary consumption**", i.e., consumption of self-production, self-supply, owned housing, goods and services received free of charge or at reduced prices supplied by the employer or by other agencies (health, education and social services). Similarly, *income* comprises monetary income (including transfers), and income in kind, including fringe benefits.

The *sample* comprises 10183 households (8041 in the Mainland) and 36177 individuals (26792 in the Mainland).

33. Individuals who were in collective housing (educational, health, etc.) were included when the respective consumption were supported by the household. Those who were working in other places were included if they frequently joined the household, contributed to its maintenance and had consumption supported by the household, or if the absence had a temporary character.

4.1.2. Family Budgets Survey 1989-90

The HBS/1989 developed from 6 March 1989 to 4 March 1990. One of its objectives was "to launch the basis of a system of poverty indicators", as recommended by the Statistical Office of the European Communities (INE, 1990, pp.5-6).

However, here again, the survey only covers persons that live in *non-collective housing*. As in the previous survey, the central statistical unit was the *household*, defined in terms identical to those mentioned above for the HIES/1980. Besides the household, *individuals* and *housing units* were also subject to observation.

The household is characterised by its "representative" (head), freely chosen by the household.

Income includes monetary as well as in-kind inputs. The latter were expressed in monetary terms at market prices. Similarly, *consumption* comprises not only goods and services purchased by the household, but also self-consumption, self-supply, owned housing, wages in kind and transfers in kind, premiums and taxes.

Households were subject to direct observation during one week. The *period of reference* was defined as the previous 12 months. However, the period mentioned in the questionnaire varied according to the type of expenditure, as follows: the *week* for items such as food, personal and housing hygiene, transport, children's pocket money, etc.; the *month* for expenditures such as housing rent, water, gas and electricity, telephone, creches, private schools, etc.; *two months* for expenditures related to clothing and footwear, long-distance transport, etc.; and the *year* for expenditures on durables, holidays, insurance, secondary

housing, etc.. The information thus gathered was then multiplied by the respective coefficient for conversion into *annual values*.

The *sample* included about 12 500 housing units in the Mainland, 2500 in Açores and 1800 in Madeira. The total number of persons covered exceeded 40000.

4.2. The standard unit

Amidst the large variety of the existing equivalence scales, it seems possible to state that one of most common factors among them is that the value of 1 (one) is conferred to an adult. Specific equivalence scales for nutritional needs make the distinction between men and women, and confer the value of 1 to the male adult. The latter is the criterion adopted in this study, since the method chosen for establishing the *food component* of the poverty line is based on tables that shows nutritional "allowances" for men as different from those that correspond to women. For the *non-food component*, the unit is the adult, irrespective of gender.

4.3. A poverty line for 1980

In broad terms, the estimation of the poverty line implies the following steps: i) choice of the adequate standard of calories and nutrients; ii) translation of that standard into a reference diet (food items and respective quantities); iii) estimation of the cost of the reference diet, at market prices; iv) estimation of the non-food component.

4.3.1. A reference diet

The Centre of Nutritional Studies (Department of Health), built up, in 1982, a *Table of Caloric and Nutritional Needs, by Age Groups and Sex*³⁴, for the Portuguese population. The table was approved in the same year by the Ministry of Social Affairs.

As mentioned above, our unit of reference will be the male adult. According to the ILO equivalence scale, built up for nutritional needs, 1 adult equivalent is represented by a man of the age group of 14 to 59 years³⁵. This range covers four rows of the Department of Health Table (age groups of 11-14, 15-19, 20-49 and 50-64 years). The standard nutritional standard had, therefore, to be derived from those four rows of the Table. Different measures, such as the average or the median, could be used for this purpose. The method adopted here consists in taking, for each variable, the weighted average of the values for the range of 14 to 59 years³⁶.

34. The table is published in CEN/INS(1987).

35. The scale is also known as the Atwater scale (Santos, 1984, p.44, footnote).

36. It could be argued that it would be more appropriate to use the average adjusted to the age structure of the heads of household, drawn from the survey. This would mean that the nutritional standard was specifically adapted to that structure. However, such a procedure would ultimately recommend the utilization of a specific nutritional standard according to the age and sex of each head of household. This is precisely what we are trying to avoid by resorting to an equivalence scale.

Moreover, it should be noted that the adjusted nutritional standard corresponds to a caloric value which is less than 3% lower than the level chosen by us. Taking into account what has been said with regard to the precision of these figures, the difference may be considered irrelevant.

Accordingly, *daily dietary allowances* were the following:

Calories	2757
Protein(g)	78
Calcium(mg)	852
Iron(mg)	13
Vitamin A (IU)	5000
Fats(g)	77
Carbon Hydrates(g)	438
Cellulose(g)	11

Given the variety of the available food items and of the nutritional value of each of them, the number of possible combinations that satisfy a given nutritional standard is practically unlimited. The «reference diet» was chosen taking into account the following parameters: a) the diet should satisfy the chosen caloric and nutritional level; b) the food items had to be cheap; c) the diet should respect the technical recommendations concerning the characteristics of a balanced daily diet³⁷ ; d) the diet should respect the alimentary habits of the society; e) there

37. The recommendations refer to the six groups of food items established by Ferreira and Graça (1985): Group I: milk and its proteic derivatives; Group II: Meat, fish eggs and sea-food; Group III: fats; Group IV: Cereals and derivatives, dry leguminous products, sugar and cocoa; Group V: vegetables, potatoes and fruits; Group VI: Beverages, alcoholic and non-alcoholic.

The criteria recommended are the following (see CEN, 1987):

a) Group I: should contribute 7 to 10% of the daily calories for the adult, 10 to 12% of the daily proteins and 25 to 40% of the animal proteins. The recommended daily quantity of milk, for an adult, is of 3 dl.

b) Group II: should include approximately 50 to 75g of clean meat and an equal quantity of clean fish. Group II should represent 7 to 10% of total daily calories, 20 to 30% of daily proteins and 60 to 75% of daily consumption of animal proteins.

c) Group III: an adult should consume 40 to 50g of "oil" and the total amount of fats provided by this group should not exceed 15 to 20% of the daily calorie intake.

d) Group IV: approximate quantity of bread for an adult is 300g. The food items of this group should provide, daily, 40 to 50% of calories, 40% of total proteins, and 80 to 90% of vegetable proteins.

e) Group V: 300 to 400g of fruits, 400g of potatoes and 400 to 500g of other vegetables. This group should provide, daily, 20 to 30% of calories, 50% of vitamin A or equivalent, 100% of vitamin C and 80% of soft Cellulose.

f) Group VI: is negligible for our purposes.

should be place for a certain degree of variety of food items.

It should be emphasised here that the role of the chosen diet consisted solely in providing a *basis* for calculating the *average daily food cost*. Therefore, it is exclusively in this respect that the adequacy of the diet should be assessed. What was ultimately envisaged is the estimation of an *average* monetary value that would allow the purchase of a daily diet compatible with the recommended dietary allowances.

The diet does not result from the strict and systematic adoption of the criterion of the "least cost". This criterion would be inadequate for various reasons.

Firstly, because, as stated, the diet corresponds to a daily "average" diet. On the contrary, the adoption of the criterion of the *minimum minimorum* would lead to a single diet that those who are on (or just above) the poverty line would be compelled to eat every day, with no space for variety. Secondly, there is no basis for the assumption that the cheapest food items are systematically available every day. Thirdly, it would be illusory to expect that the poor can systematically follow the principle of economic "rationality". Fourthly, even if such a behaviour were feasible, imposing it only on the poor, and not also on the non-poor, would mean that we were introducing into the process of establishing a poverty line one of the characteristics of poverty itself: to be excluded from the habits and customs that are *common* in the society concerned.

Hence, *our aim consisted in obtaining an average daily diet for one adult-equivalent, that satisfied the nutritional criteria and was balanced and cheap.*

The concern with the low cost of the diet went along with the principle of

taking account of what is customary in the society. These two criteria were followed by harmonising *low prices* and *acceptable frequencies*³⁸.

Implicit prices from the surveys were used to identify the cheaper types of food as well as to estimate the cost of the diet at average prices of *urban centres* and at average prices of *rural areas*³⁹.

Taking into consideration the criteria mentioned above, the diet chosen was the following:

Table 4.1
A REFERENCE DIET FOR 1980

Items	Quant.(g)
Milk	310
Egg(a)	18
Meat (b)	125
Fish (c)	95
Olive oil	35
Margarine	15
Bread (d)	290
Rice (e)	100
Paste (Italian)(f)	70
Sugar (yellow)	30
Potatoes	345
Green vegetables (g)	180
Legumes (h)	240
Fruit (i)	440

- (a) For prices, pasteurised.
 (b) Chicken.
 (c) Whiting, prices of frozen.
 (d) Wheat, 2nd.class.
 (e) "Giant", 2nd. class.
 (f) 2nd class, cut.
 (g) Turnip leaf.
 (h) Green bean - pod.
 (i) Apple ("starking").

38. The surveys provide frequencies, quantities and consumption in each of the items.

39. It may be discussed whether, in the light of the equal rights perspective, one should make the distinction between the levels of the poverty line for rural areas and urban centres. However, as the difference in our case is a mere result of differences in prices, the two levels are equivalent in terms of purchasing power.

Table 4.2 shows the nutritional level of the standard diet and the differences in relation to the nutritional standard. In spite of the mentioned differences, the diet seems satisfactory for the purpose of defining the cost of a standard diet. Here, again, as in the case of the poverty line as a whole, each value should be taken to represent a range rather than a precise amount.

Table 4.2

**COMPARISON OF THE NUTRITIONAL LEVELS OF THE
REFERENCE DIET WITH THE NUTRITIONAL STANDARD**

	Nutritional Standard	Standard Diet	Difference (%)
Calories	2757	2758	0.1
Protein (g)	78	79	1.6
Calcium (mg)	852	868	1.9
Iron (mg)	13	14	8.7
Vitamin A (IU)	5000	2853	-42.9
Fats (g)	77	69	-9.5
Carb. Hydrates (g)	438	456	3.9
Cellulose (g)	11	10	-5.7

The cost of the diet was calculated using the implicit prices estimated from the survey data (total expenditure in each item divided by the total quantity purchased). Due to the differences in prices, separate estimates were made for rural areas and for urban centres. The results obtained are shown in Table 4.3.

Table 4.3

**COST OF THE REFERENCE DIET
(IMPLICIT PRICES FROM HIES/80)**

Item	Quantity (g)	Prices (Esc./g)		Cost (Esc)	
		Rural	Urban	Rural	Urban
Milk	310	0.013	0.012	4.0	3.7
Egg	18	0.060	0.063	1.1	1.1
Meat	125	0.076	0.080	9.5	10.0
Fish	95	0.088	0.103	8.4	9.8
Olive oil	35	0.122	0.122	4.3	4.3
Margarine	15	0.093	0.094	1.4	1.4
Bread	290	0.021	0.021	6.0	6.1
Rice	100	0.023	0.024	2.3	2.4
Paste (Italian)	70	0.016	0.016	1.1	1.1
Sugar	30	0.028	0.028	0.8	0.8
Potatoes	345	0.010	0.011	3.6	3.7
Green vegetables	180	0.021	0.023	3.8	4.1
Legumes	240	0.032	0.038	7.7	9.2
Fruit	440	0.019	0.022	8.4	9.5
TOTAL DAILY COST (Escudos)				62.3	67.2
TOTAL ANNUAL COST (Escudos)				22724	24527
RURAL/URBAN RATIO (%)				92.6	%

4.3.2. The Engel coefficient

The component that corresponds to non-food necessities was calculated by resort to the Engel coefficient. As is known, for each family size, the coefficient varies with the total expenditure and, therefore, the problem arises of choosing the adequate value of the coefficient.

Some argue that the appropriate value is the one that corresponds to the estimated food cost (adjusted for the size and composition of the household). This criterion is undoubtedly attractive, but deserves some reflexion.

It should be borne in mind that the Engel curve is an *empirical*

verification, derived from the households expenditure survey. Therefore, it is not necessarily paradigmatic. Although the law of diminishing coefficients with increasing total expenditures is easily acceptable within the range of medium and high levels of total expenditure, the high proportions of food expenditures at low levels of total expenditure may reflect an excessive compression (distortion) of non-food necessities. In this case, the adoption of the above mentioned criterion would lead to the under-estimation of the value of the non-food necessities.

Therefore, the value of the Engel coefficient adopted in this study corresponds to the *average consumption*.

The different types of households may be considered in two ways. One consists in estimating the food costs (C_{Fi}) for households of each type i , with resort to a equivalence factor, e_i , taken from an equivalence scale adequate for food necessities (e.g., the ILO scale). The poverty line for the household of type i would then be given by the combination of C_{Fi} and the respective Engel coefficient (k_i):

$$C_{Fi} = C_{F1} \times e_i$$

$$p_i = C_{Fi} \times k_i$$

In this case, the food cost and the Engel coefficient would have to be estimated separately for each household type.

A second method consists in estimating the *equivalent poverty line*, for one adult-equivalent, (p_1), given by the corresponding food cost and the Engel coefficient:

$$p_1 = C_{F1} \times k_1$$

The poverty line for the other types of households are then given by the combination of p_1 and an equivalence factor e_i drawn from an appropriate equivalence scale:

$$p_i = p_1 \times e_i$$

In the latter case, it suffices to estimate food costs and the Engel coefficient only for one adult equivalent.

At first sight, it would seem preferable to follow the first of the two methods, since the equivalence scales designed specifically for food necessities depend on a smaller number of variables and can, therefore, be expected to be more consistent than the scales that encompass all the items of the expenditures. However, it is not clear whether it would be legitimate to use the same equivalence scale for drawing the Engel curves necessary to estimate the Engel coefficients, which depend not only on the food expenditures but also on total consumption⁴⁰. On the other hand, the use of two different scales, one for estimating food costs and the other for calculating the Engel coefficient, seems equally debatable.

We, therefore, followed the method of estimating the *equivalent poverty line* and using the *OECD equivalence scale* for obtaining the poverty lines for the various other household types.

The final outcome of this section consists of two poverty lines: one for *urban centres* and the other for *rural areas* (the only difference being the result of price differences). As mentioned, both the lines refer to *one equivalent adult*.

40. As stated, the ILO scale was designed for food necessities and it would not seem appropriate to use it for the non-food component of the poverty line.

After estimating the food cost for 1 equivalent adult, we proceeded towards the calculation of the appropriate value of the Engel coefficient.

Food consumption and total consumption were analysed by demi-deciles (portions of 5 per cent of the sample)⁴¹, to identify consistent relationships between them. The regression analyses with the *equivalent values* of the those variables for the *total population of rural areas* lead to the following equation:

$$Y = -21553 + 51485.7(\log X) \quad (R^2 = 0.973457)$$

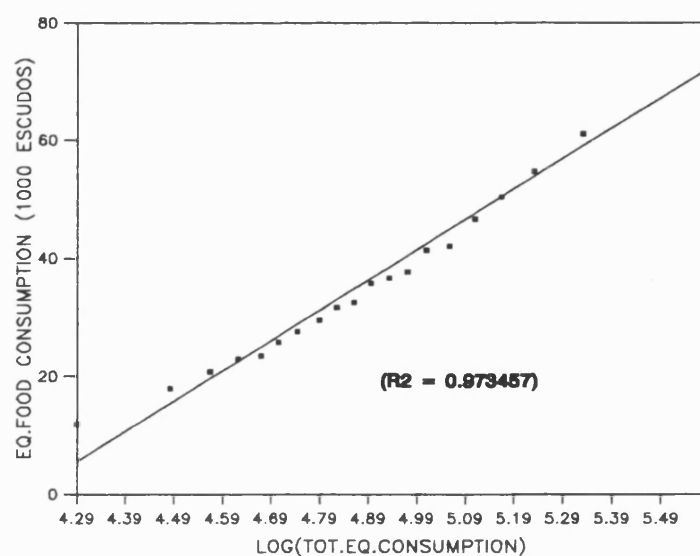
where: Y = equivalent food consumption.

X = equivalent total consumption.

(see Graph 4.1)

Graph 4.1

FOOD CONSUMPTION BY TOTAL CONSUMPTION
RURAL AREAS (1980) -- Equivalent values



41. Demi-deciles were used instead of the common deciles, in order to minimise the loss of information.

Assuming that the *equivalent poverty line* (P) should be fixed at the level of the equivalent total consumption of the households whose food consumption is equal to the estimated cost of the standard diet for rural areas (22724 Escudos, per annum), from equation (1) the value of P for $Y = 22724$ is $P = 42464$ Escudos per equivalent adult, per annum.

This value of P corresponds to the Engel coefficient (k) of 0.54, which means that those households spend 54 per cent of their total consumption on food (meaning raw food, except for bread). As discussed above, this is a merely empirical verification that provides no evidence about the extent to which that value of k should be used for establishing the poverty line. In fact, there is no *a priori* reason to believe that 46 per cent of the total consumption are enough to cover satisfactorily the *non-food necessities*. In other words, it may be the case that the adequate level of the food consumption is achieved at the cost of the remaining necessities. Furthermore, it should be noted that the value of 0.54 for k is an average value of a considerably broad range of values, as a result of the grouping of the households by demi-deciles. In fact, for a narrow range of equivalent consumption in rural areas, in the neighbourhood of the estimated equivalent food cost (between 22700 Escudos and 22800 Escudos), the value of k varies between 0.22 and 0.89 and shows no tendency towards concentrating around any one value of this range.

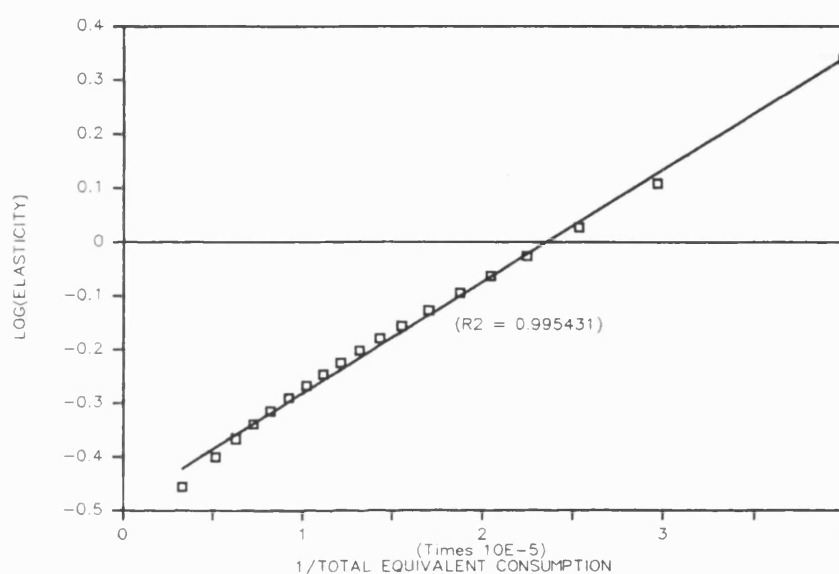
Another method followed to assess the adequacy of the value of k is based on the *elasticity of the food consumption in relation to total consumption*.

Continuing to work on the same sub-sample (rural population), the regression function of the food consumption elasticity (e) with the total consumption (X) is the following:

$$\log e = -0.49020 + 20845(1/X) \quad R^2 = 0.995431$$

The regression function is shown in Graph 4.2 and the estimated

Graph 4.2.
EQUIVALENT FOOD CONSUMPTION ELASTICITY BY
TOTAL EQUIVALENT CONSUMPTION
Rural areas (1980)

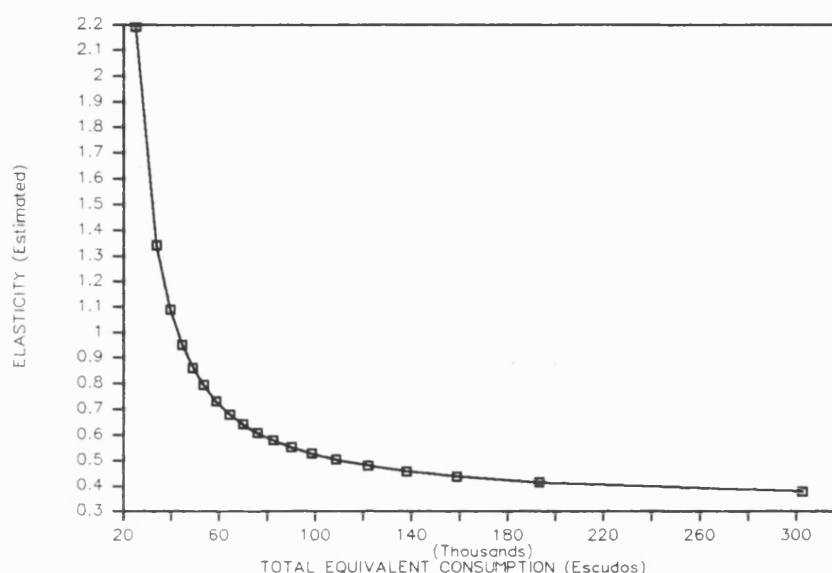


values of e are plotted with X in Graph 4.3. This graph shows that the elasticity of food consumption decreases as total income increases, from values above 1 to values below 1. It is interesting to note that e takes the value of 1 at the point where total consumption is of 42524 Escudos. This value is slightly above the poverty threshold previously calculated (42464 Escudos), and corresponds to a value of $k = 0.534$.

Graph 4.3

ESTIMATED ELASTICITY BY TOTAL EQUIVALENT CONSUMPTION

Rural areas (1980)



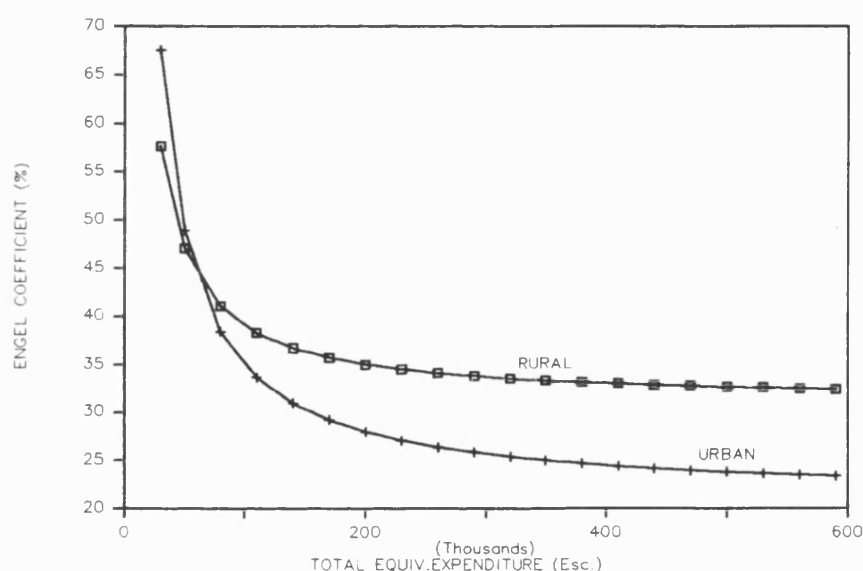
This verification seems to suggest that the poverty line has some relation with the point of unitary elasticity of food consumption. Bearing in mind the definition of elasticity⁴², the graph may mean that at very low levels of consumption, the household tends to privilege food in the distribution of any marginal increase of total consumption. Hence, $e > 1$. When the consumption achieves a certain threshold (admittedly at $e = 1$), the household no longer feels the need of allocating to food relatively higher shares of the marginal increase in total consumption. Such a threshold would represent the poverty line.

The relation that has been described is empirically verified for *rural areas*. However, the analysis of the consumption of the *urban population* leads to different results. The food consumption elasticity is less than 1 throughout the sample. This fact need not invalidate what has been said with regard to the rural

⁴² In our case, elasticity is the ratio between the percentage increase in food consumption and the percentage increase of total consumption.

areas. Indeed, that result may be due to the marked differences between the rural and the urban cultures (down-grading of the importance of the food needs in the latter) and life-styles (the actual difficulty in reducing the share of some of the non-food consumption, such as transport). Besides, in the case of the urban population, the value of the Engel coefficient is particularly high in the lower tail of total consumption (Graph 4.4).

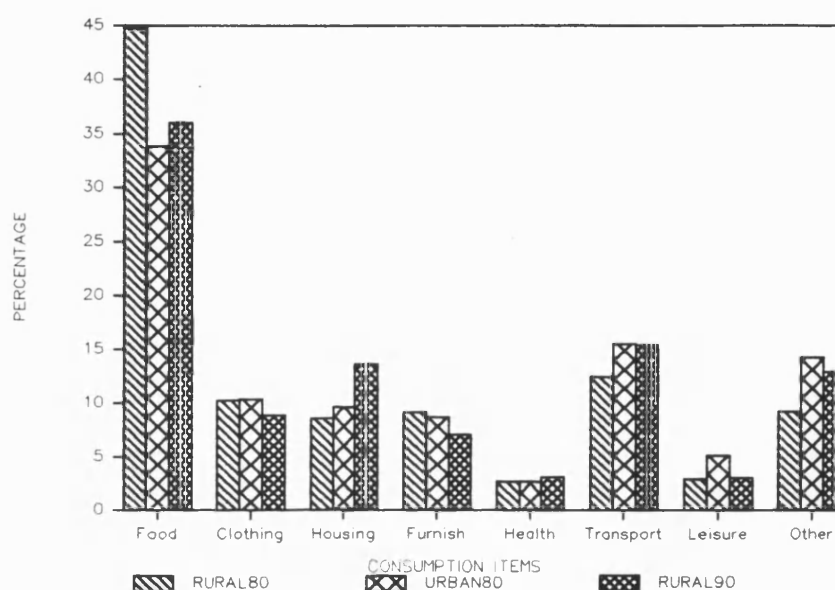
Graph 4.4
ENGEL COEFFICIENTS IN RURAL AREAS AND
IN URBAN CENTRES (1980)



On the other hand, the analysis of elasticity in rural areas in the late 1980s (1989) shows a situation of transition between the rural areas of the early 1980s and the urban centres. In that case, elasticity takes values above unity, but reaches the value of one at a relatively low level of total consumption. Furthermore, as may be seen in Graph 4.5, the rural consumption structure in 1989 is closer to the urban consumption structure of 1980 than the rural structure of 1980, namely in the items that showed bigger differences in 1980. Therefore, the assessment of the consistency of the use of the unitary elasticity in the definition of the poverty line

seems to deserve further investigation. However, it seems that values of elasticity above unity are associated with situations of underdevelopment.

Graph 4.5
CONSUMPTION STRUCTURES IN RURAL AREAS (1980 AND 1989)
AND IN URBAN CENTRES (1980)



Since neither of the two methods -- first, adopting the value of the Engel coefficient that corresponds to the value of food consumption that is equal to the estimated food cost and, second, the elasticity method -- offers any guarantee that the non-food necessities are not being sacrificed in order to meet food needs, and in the absence of a clear alternative criterion, the poverty lines were obtained by using the *mean values of the Engel coefficient for the rural population and the urban population* (0.438 and 0.346, respectively). This approach may be justified by the concept of poverty that was adopted, in the sense that it resorts to the average situation in the society. (It should be noted that in a "middle-income" country, such as Portugal, the average value of the Engel coefficient may be expected to be relatively high).

The equivalent poverty lines obtained are the following:

Equivalent Poverty Lines for 1980:

Rural areas = 51881 Escudos/year

Urban Centres = 70887 Escudos/year

4.4. A poverty line for 1989

In principle, the poverty line defined for 1980 could be updated to 1989 by resort to the consumer price index. However, it seemed more appropriate to estimate a new poverty line for 1989, in order to take account of the changes in the «life style» occurred during the decade.

The poverty line for 1989 was estimated by the method adopted for 1980. The standard diet was identical and the cost was calculated by using the implicit prices of the FBS/1989. The results are shown in Table 4.4.

Also in this case, the equivalent food consumption elasticity takes values above unity (top limit is 1.28). However, unitary elasticity corresponds to a relatively low value of total consumption (187838 Escudos). As mentioned above, it seems that along the 1980s the behaviour of the rural population with regard to the share of food consumption shifted towards the pattern of the urban centres.

The method for estimating the poverty line for 1989 was similar

Table 4.4

**COST OF THE REFERENCE DIET
IMPLICIT PRICES FROM FBS/1989**

Item	Quant.	Prices (Esc./g)		Cost(Esc)	
		Rural	Urban	Rural	Urban
Milk	310 g	0.071(1)	0.071(1)	21.9	22.0
Egg	18.3 g	0.315(2)	0.316(2)	5.8	5.8
Meat	125 g	0.324	0.303	40.5	37.9
Fish	95 g	0.424	0.478	40.3	45.4
Olive oil	35 g	0.576(1)	0.562(1)	20.2	19.7
Margarine	15 g	0.344	0.363	5.2	5.4
Bread	290 g	0.111	0.137	32.2	39.8
Rice	100 g	0.146	0.144	14.6	14.4
Paste (Ital)	70 g	0.156	0.154	10.9	10.8
Sugar (yell)	30 g	0.133	0.129	4.0	3.9
Potatoes	345 g	0.034	0.035	11.6	11.9
Green veg.	180 g	0.092	0.112	16.6	20.1
Legumes	240 g	0.142	0.158	34.0	38.0
Fruit	440 g	0.092	0.109	40.6	47.7
TOTAL DAY COST (Escudos)			298.3	322.8	
TOTAL ANNUAL COST (Escudos)			108874	117838	
RURAL/URBAN RATIO (%)			92.4		

(1) Commercial measure: litre.
(2) Commercial measure: unity.

to the one used for the early 1980s. The average Engel coefficient was 0.430 and 0.346 for rural areas and urban centres, respectively. Hence the two equivalent poverty lines:

Equivalent Poverty Line for 1989:

***Rural areas* = 253196 Escudos/year⁴³**

***Urban Centres* = 340573 Escudos/year**

43. The poverty line obtained by the use of the equivalent food consumption is 26% lower.

4.5. Conclusions

The empirical part of this study is based mainly on information drawn from the HIES/1980 and the FBS/1989, both conducted by the National Institute of Statistics. The access to micro-data sets from those surveys was fundamental for carrying out our research. The surveys cover practically the whole country (Mainland, Madeira and Açores). However, *our study covers only Mainland Portugal*.

As is usual in this type of surveys, they only comprise persons living in *non-collective housing*.

The *central statistical unit of observation* is the *household*, defined as: a) the group of persons that reside in the same housing unit and whose current housing and food expenditures are covered by a common budget; b) the person that occupies entirely a housing unit or who, though sharing it with others, does not meet the previous condition.

The surveys also considered as units of observation all the *individuals* that belonged to the household and were present at the moment of inquiry and some among those that were absent. *Housing units* were also subject to observation.

Consumption includes not only the goods and services bought by the households, but also consumption of self-production, self-supply, owned housing, goods and services received free of charge or at reduced prices, supplied by the employer or by other agencies (health, education and social services).

The household is characterised by its "*representative*" (head), freely chosen by the household.

One of most common factors among the various equivalence scales is that the value of 1 (one) is conferred to an *adult*. **This is the criterion adopted in the present study.**

As previously mentioned, the approach for the establishment of the poverty line was *normative* for the food allowances and *behavioural* for the remaining aspects. Thus, in broad terms, the estimation of the poverty line implied the following steps: i) choice of an adequate reference standard of calories and nutrients; ii) translation of that standard into a reference diet (food items and respective quantities); iii) estimation of the cost of the reference diet, at market prices; iv) estimation of the non-food component.

The nutritional allowances were drawn from the **Table of Caloric and Nutritional Needs, by Age Groups and Sex**, estimated for the Portuguese population by the Centre of Nutritional Studies. Following the ILO equivalence scale, the *unit of reference* was the *male adult of the age group of 14 to 59 years*.

Once the *daily dietary allowances* were obtained, the corresponding "*reference diet*" was established, taking into account the following parameters: a) the diet should satisfy the chosen caloric and nutritional level; b) the food items should be cheap; c) the diet should respect the technical recommendations concerning the characteristics of a balanced daily diet ; d) the diet should respect the alimentary habits of the society; e) there should be place for a certain degree of variety of food items. The role of the chosen diet consisted solely in providing a *basis* for calculating the *average daily food cost*.

The diet does not result from the strict and systematic adoption of the criterion of the "least cost". **Our aim consisted in obtaining an average daily diet for one adult-equivalent, that satisfied the nutritional criteria and was balanced and cheap.** The concern with the low cost of the diet went along with

the principle of taking account of what is customary in the society. These two criteria were followed by harmonising *low prices* with *acceptable frequencies*.

The comparison of the nutritional value of the chosen diet with the nutritional allowances shows differences that seem within acceptable limits for our purposes.

Finally, *implicit prices* from the surveys were used to identify the cheaper types of food, as well as to estimate the cost of the diet at average prices of *urban centres* and at average prices of *rural areas*.

The component that corresponds to *non-food necessities* was calculated by means of the Engel coefficient. The poverty lines were estimated by using the *mean values of the Engel coefficient for the rural population and the urban population* (0.438 and 0.346, respectively).

The poverty lines that were obtained and will be used in the analysis below are the following:

Equivalent Poverty Lines		
(Escudos/year)		
	<u>1980</u>	<u>1989</u>
Rural areas	51881	253196
Urban Centres	70887	340573

Once the *equivalent poverty line* was obtained, the **OECD equivalence scale** was used to estimate the poverty lines for the various household types.

Another method followed to assess the adequacy of the value of the Engel coefficient is based on the *elasticity of the food consumption in relation to total*

consumption. In the case of the rural areas, in 1980, the regression function of the food consumption elasticity e with the total consumption X shows that the elasticity of food consumption decreases as total income increases, from values above 1 to values below 1. It is interesting to note that e takes the value of 1 at the point where total consumption is of 42524 Escudos (slightly above the poverty threshold previously indicated -- 42464 Escudos).

This verification seems to suggest that the poverty line has some relation with the point of unitary elasticity of food consumption. It may mean that at very low levels of consumption, the household tends to privilege food in the distribution of any marginal increase of total consumption. Hence, $e > 1$. When the consumption achieves a certain threshold (admittedly at $e=1$), the household no longer feels the need of allocating to food relatively higher shares of the marginal increase in total consumption. Such a threshold would represent the poverty line.

The relation that has been described is empirically verified for rural areas in 1980. However, in the case of the *urban population*, in the same year, elasticity is less than 1 throughout the sample. On the other hand, the analysis of elasticity in rural areas in 1989 shows a situation of transition between the rural areas and the urban centres in 1980: the equivalent food consumption elasticity takes values above unity (top limit is 1.28), but the unitary elasticity corresponds to a relatively low value of total consumption (187838 Escudos). It seems that, along the 1980s, the behaviour of the rural population with regard to the share of food consumption shifted towards the pattern of the urban centres.

For all these reasons, the assessment of the consistency of the use of the unitary elasticity in the definition of the poverty line seems to deserve further investigation.

Having estimated the poverty lines for 1980 and 1989, we will now proceed to measuring poverty by means of some commonly used measurement indicators.

5. MEASUREMENT OF POVERTY: HOW MANY POOR AND HOW POOR IN THE EARLY AND IN THE LATE 1980S

5.1. Poor households

The two poverty lines presented in the previous chapter were applied to the populations of rural areas and urban centres, respectively, adopting the OECD equivalence scale³⁵. The figures led to a global poverty rate of 25.2 per cent, for Mainland Portugal, in 1980. This average percentage corresponds to poverty rates of 27.7 per cent for rural areas and of 18.0 per cent for urban centres (Table 5.1).

Table 5.1

POVERTY IN 1980 - HOUSEHOLDS

	Rural	Urban	Total
Total of households (%)	73.8	26.2	100
Poor households (%)	81.3	18.7	100
Non-poor households (%)	71.3	28.7	100
Poverty rate - households(%)	27.7	18.0	25.2
Equivalent consumption of poor households (Escudos):			
- mean	36743	51880	
- median	3811	55594	
- min.	252	5672	
- max.	51876	70887	
Poverty gap (%)	26.8	29.2	

With respect to the rural areas, the utilisation of the elasticity method leads to a rural poverty rate of 23.3 per cent (4 percentage points lower).

About 81 per cent of the poor households lived in rural areas (places with

35. The "child" was defined as a person below 14 years.

less than 10000 inhabitants) and 19 per cent in urban centres. These proportions result from the higher rural poverty rate together with a higher proportion of total rural population (in 1980, 74 per cent of the households lived in rural areas).

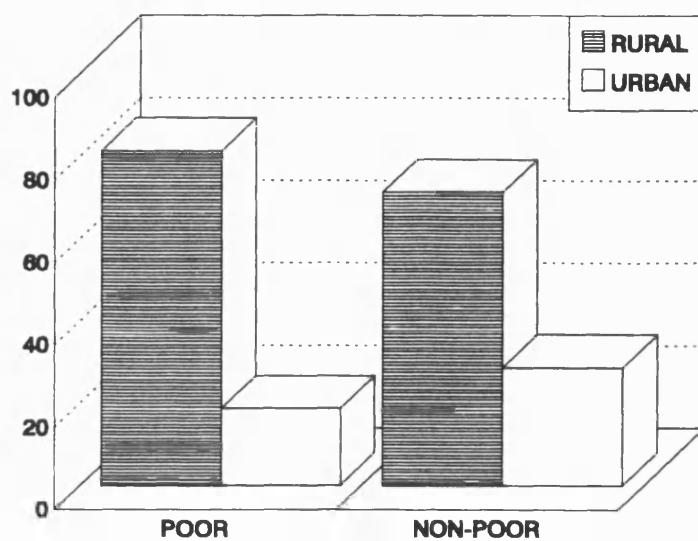
The actual average equivalent consumption of the poor households was of 36743 Escudos in rural areas of 51880 Escudos (41 per cent higher) in urban centres. Nonetheless, the *equivalent average poverty gap* was higher in urban centres than in rural areas (respectively, 29.2 and 26.8 per cent).

In the early 1980s, therefore, poverty was not only relatively massive (more than 1/4 of the households were poor) but also considerably severe. Quantitatively speaking, it was predominantly rural, but the average gap was larger in urban centres.

Graphs 5.1 and 5.2 illustrate some of the features described.

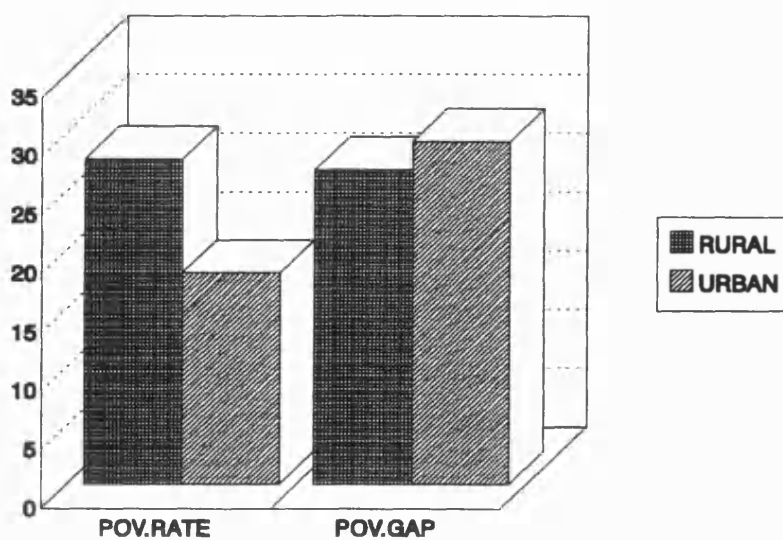
Graph 5.1

1980: DISTRIBUTION OF HOUSEHOLDS, POOR AND
NON-POOR BY URBAN CENTRES AND RURAL AREAS



Graph 5.2

1980: POVERTY RATES AND POVERTY GAPS IN
URBAN CENTRES AND RURAL AREAS



The results of 1989 are shown in Table 5.2, and reveal some important differences in relation to the pattern of 1980. The global poverty rate fell by 3 percentage points, to 22.3 per cent. The poverty gap in the urban centres decreased slightly, while the gap in the rural areas

Table 5.2

POVERTY IN 1989 - HOUSEHOLDS

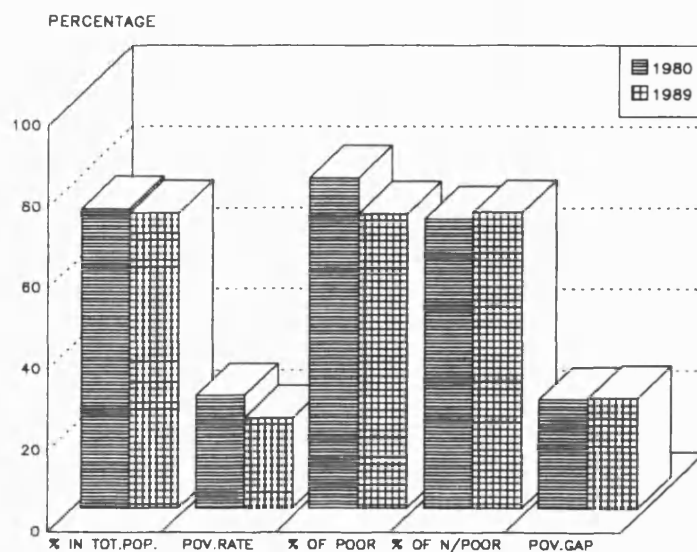
	Rural	Urban	Total
Total number of households(%)	72.8	27.2	100
Poor households (%)	72.6	27.4	100
Non-poor households (%)	72.9	27.1	100
Poverty rate - households(%)	22.2	22.4	22.3
Equivalent consumption of poor households (Escudos):			
- mean	184596	243428	
- median	192869	251053	
- min.	24658	54402	
- max.	253127	339708	
Poverty gap (%)	27.1	28.5	

increased (also slightly). However, the major change consists in the considerable decrease of the rural poverty rate (by 5.5 percentage points) and the parallel increase of the urban poverty rate (by 4.4 percentage points). This change is explained in a very small proportion by the increase in the rate of urbanisation (of 1 percentage point). The main explanation is to be found in the relative rise of the income of the rural population and deterioration of the resources available to the urban households. Nevertheless, in merely quantitative terms, poverty is still predominantly rural, although the picture was comparatively worse in the urban centres, both in terms of the changes that occurred during the 1980s as well as in relation to the situation in 1990-91.

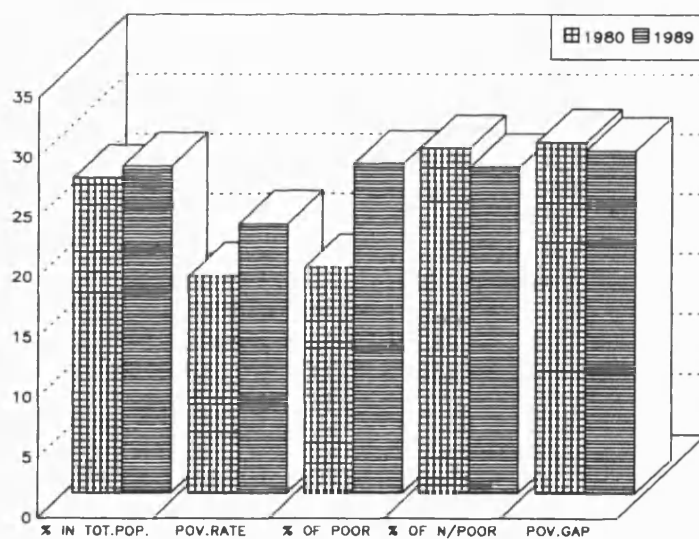
Graphs 5.3 and 5.4 provide a synthetic view of the changes described for rural areas and for urban centres.

Graph 5.3

CHANGES IN RURAL POVERTY DURING THE 1980s

Graph 5.4

CHANGES IN URBAN POVERTY DURING THE 1980s



It is useful to recall here what was said earlier about the approximate nature of the poverty line and the consequential convenience of considering it as the symbolic representation of a range. An exercise using poverty lines placed at levels that are 5 per cent higher and lower than the estimated threshold leads to some interesting results, as shown in Table 5.3.

With regard to 1989, it may be seen that an increase of 5 per cent in the poverty line raises the poverty rate by 2.4 points (11 per cent), and an equal reduction in the poverty line lowers the poverty rate by 2.5 points (more than 12 per cent).

Table 5.3

HOUSEHOLDS POVERTY RATES IN 1980 AND 1989
AT DIFFERENT POVERTY LINES

	Rural	Urban	Total
	-----	-----	-----
1980:			
At estimated poverty line	27.7	18.0	25.2
At poverty line 5% higher	30.5	20.5	27.9
At poverty line 5% lower	24.9	15.8	22.5
1989:			
At estimated poverty line	22.2	22.4	22.3
At poverty line 5% higher	24.7	24.9	24.7
At poverty line 5% lower	19.4	20.8	19.8

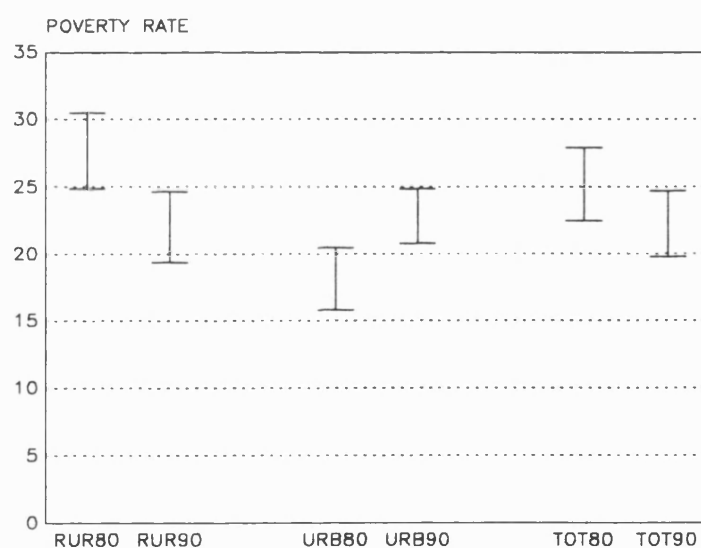
In what concerns the rural areas, the highest poverty rate in 1989 (24.7 per cent) is lower than the lowest rate in 1980 (24.9 per cent). Hence, one may state on reasonable grounds that the extent of poverty in the rural areas decreased during the 1980s. On the other hand, the lowest poverty rate in the urban centres in 1989 (20.8 per cent) is higher than the highest rate in 1980 (20.5 per cent),

which means that the extent of urban poverty increased during the 1980s. Finally, with regard to the total poverty rate, the ranges of 1980 and of 1989 partially overlap, as Graph 5.1 better illustrates. It is, therefore, less clear whether the 1980s actually brought about an overall progress in this domain.

To sum up, although the trend of the global poverty rate is not unambiguous, it seems possible to state that, with regard to the extent of poverty, there was a relative improvement in the rural areas and a deterioration in the situation of the urban centres.

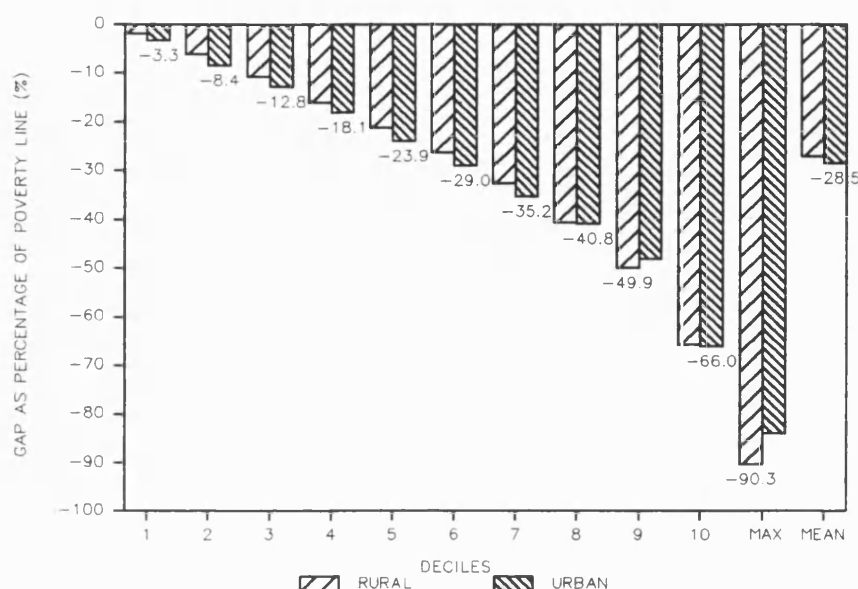
Graph 5.5

POVERTY RATES AT DIFFERENT POVERTY LINES



As shown earlier, during the 1980s the relative poverty gap increased in the rural areas, from 26.8 to 27.1 per cent and decreased in the urban centres, from 29.2 to 28.5 per cent. The reality that underlies those average values is better illustrated by Graphs 5.6, that shows the distribution of the gaps by deciles, for rural areas and urban centres.

Graph 5.6
DISTRIBUTION OF POVERTY GAP AS PERCENTAGE
OF THE POVERTY LINE (1989)



The task of "categorising" the poor by the degree of hardship of their living conditions is not exempt from risk. Firstly, because the subjective reaction to hardship differs from person to person and the severity cannot be measured by the objective living conditions alone. Secondly, the categorisation of the poor may divert the attention from the major cleavage wherein the real problem lies: the divide between the poor, on the one side, and the non-poor, on the other.

Nonetheless, it is useful to analyse how "far" the different groups of the poor are from the poverty line. Thus, one may observe that the total consumption of about 15 per cent of the poor was equal to or below 50 per cent of the poverty line and that about 10 per cent of the poor spent less than the estimated cost of the diet used for defining the poverty line. The latter situation corresponds to some form of hunger.

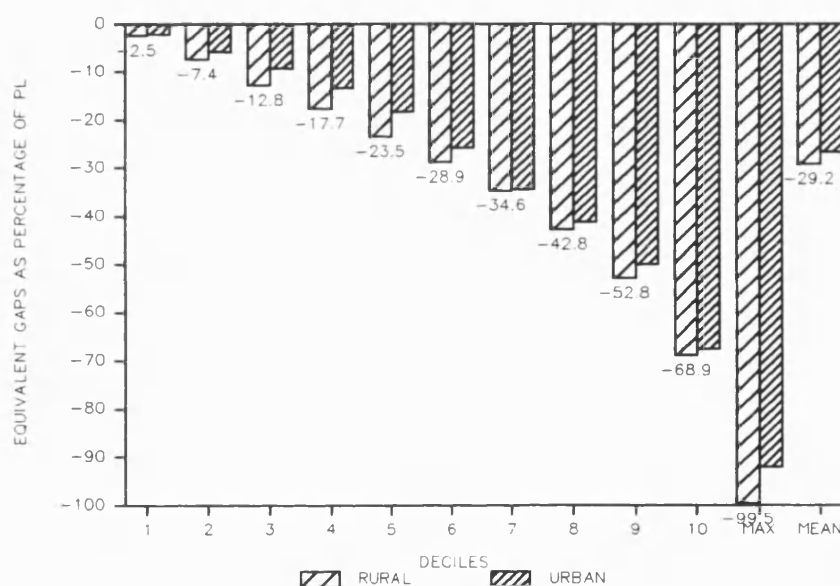
The comparison between rural areas and urban centres shows that there are no significant differences between the decile average gaps of the two types of

places. This was not the case in the beginning of the decade. In effect, the variation of the mean equivalent gaps by deciles in 1980 presents a picture that is different from the one shown above. As may be seen in Graph 5.7, the rural gaps were

systematically larger than the urban gaps and the situation of the last decile was particularly dramatic, with an average gap of 99.5 per cent for rural areas and of over 90 per cent for the urban centres.

Graph 5.7

**DISTRIBUTION OF POVERTY GAP AS PERCENTAGE
OF THE POVERTY LINE (1980)**



5.2. Poor persons

Considering the number of persons that belong to poor households, the individuals rural poverty rate dropped from 25.5 per cent in 1980 to 21.1 in 1989 (Tables 5.4 and 5.5). The relative shift of poverty from rural areas to urban

centres is more sharp when we consider individuals rather than households. In fact, in the case of the individuals, not only did the urban poverty rate increase, but in 1989 it was higher than the rural poverty rate more clearly than in the case of households.

Table 5.4

POVERTY IN 1980 - PERSONS

=====				
Poor persons	- Number	2068532	437825	2506357
	- %	82.5	17.5	100
Non-poor persons	- Number	5345561	1981096	7326657
	- %	73.0	27.0	100
Poverty rate - persons(%)		27.9	18.1	25.5

=====

(a) Figure from the Census of 1981.

Table 5.5

POVERTY IN 1989 - PERSONS

=====				
		Rural	Urban	Total
		-----	-----	-----
Tot. population	- Number	7140224	2667776	9808000(a)
	- %	72.8	27.2	100
Poor persons	- Number	1475544	593943	2069488
	- %	71.3	28.7	100
Non-poor persons	- Number	5672329	2066182	7738512
	- %	73.3	26.7	100
Poverty rate - persons(%)		20.6	22.3	21.1

=====

(a) 1990. Figure from DCP, 1991.

In terms of absolute figures, the total number of poor persons decreased from about 2.5 millions in 1980 to 2.1 millions in 1989. Of the latter, 1.5 millions lived in rural areas and 0.6 millions lived in urban centres.

The above discussion on the ambiguity of the changes in the extent of total households poverty during the 1980s is also valid in the case of persons and should, therefore, be taken into account for a correct interpretation of the figures on the number of poor individuals.

It is interesting to note that, in 1989, the poverty rate is lower for individuals than for households, both for Mainland Portugal as a whole and for rural areas and urban centres taken separately. This means that, in all those cases, poverty affected more smaller than larger households. This is confirmed by the fact that, in that year, the average number of persons per household was of 3.07 for the total population and of 2.91 for the poor households. This finding reflects the low weight of the larger households in the total number of poor households, but does not elucidate the vulnerability of larger households to poverty, which is analysed in the following chapter.

5.3. Previous studies

The data from the HIES/1980 were used for estimating the poverty rate in Portugal by some previous studies. The first (Bruto da Costa, A. and Manuela Silva (Coords.), 1985) -- referred to below as study A -- adopted a methodology similar to the one used in this study, however with some differences mainly with respect to the choice of the Engel coefficient and to the equivalence scale (ILO instead of OECD). The second (O'Higgins, M. and Stephen Jenkins, 1989) -- study B below -- was commissioned by the European Commission and attempted to measure and compare the poverty rates in the 12 Member States of the EEC. The third (Teekens, Rudolf, 1990) -- study C below -- compares Portugal and Greece with respect to inequality and poverty and also resorts to different alternative methodologies.

The Table 5.6 shows some of the results of the three studies and allows the comparison with the present study.

Table 5.6

COMPARISON BETWEEN THE RESULTS OF
DIFFERENT METHODS

Studies	Methodology	Households Pov. rates
Study A	Cost of diet Engel coefficient ILO equivalence scale	35.5
Study B	50% of average equivalent consumption OECD equivalence scale	27.9
Study C	50% of average equivalent consumption 50% of median equivalent consumption OECD equivalence scale	31.1 18.5
Present study		25.2

These figures are shown for mere comparative purposes. In earlier chapters, the consistency of the methodologies that underlie these results were discussed at length and need not be further commented here.

Nevertheless, what strikes most is the difference between Study A and the current study, since both follow very similar methodologies and lead to a considerable difference in the poverty rates (more than 10 percentage points). This difference is explained mainly by three factors. Firstly, the selection of the diet followed more strict criteria than in the earlier study. Consequently, the food costs were now lower. Second, the former methodology used the ILO equivalence scale and the present study adopted the OECD scale. Thirdly, the previous study established the Engel coefficient for each family size, while the present study was based on the equivalent poverty line and, therefore, on the average equivalent Engel coefficient.

This example illustrates the sensitivity of the poverty line to the choices made in those methodological aspects.

With regard to the other studies, it may be seen that the poverty rate from the study by O'Higgins and Jenkins is closer to our present results than figures from the other mentioned studies.³⁶

5.4. Poverty and inequality

Table 5.7 presents the poverty rates in 1980 and 1989, as well as the values of the Gini coefficient, so that we may have a comparative idea of the measures of poverty and of inequality in those years. Except for the urban households, in all the cases changes in poverty rate and in inequality have the

Table 5.7

**POVERTY RATES AND GINI COEFFICIENTS FOR
HOUSEHOLDS AND PERSONS**

	RURAL	URBAN		
	1980	1989	1980	1989
1. HOUSEHOLDS				
1.1 Poverty rate	27.7	22.2	18.0	22.4
1.2 Gini coefficient	0.357	0.352	0.335	0.335
2. PERSONS				
2.1 Poverty rate	27.9	20.6	18.1	22.3
2.2 Gini coefficient	0.349	0.339	0.325	0.328

Note: The values of the Gini coefficient were estimated by Carlos Farinha.³⁷

36. Studies B and C should lead to similar results for the poverty line at 50% of the average consumption. The difference may be due to the differences in the format of the data used in each case (micro data or tables).

37. I am grateful to Carlos Farinha for permission to use these figures.

same sign. However, the exception seems to offer empirical evidence to the idea discussed in Chapter 2, that poverty is not the same as inequality and that the two need not change in the same direction. In the present case, poverty among urban households increased by almost 4 percentage points, while the indicator of inequality remained unaltered.

5.5. Conclusions

In the early 1980s, poverty in Mainland Portugal was both relatively massive (more than 1/4 of the households were poor) as well as severe (with poverty gaps of 29 and 27 per cent in urban centres and rural areas, respectively). Quantitatively speaking, it was predominantly rural (about 81 per cent of the poor households lived in rural areas), but the urban poor were comparatively more deprived.

The situation in 1989 reveals some important differences in relation to 1980. The global poverty rate was lower by 3 percentage points (22.3 per cent); the urban poverty gap decreased slightly, while the rural gap increased (also slightly). However, the major change consists in the decrease of the rural poverty rate by 5.5 percentage points and the parallel increase of the urban poverty rate by 4.4 percentage points. This change is mainly due to the relative improvement of the income of the rural population and deterioration of the resources of the urban households.

In merely quantitative terms, therefore, poverty continues to be predominantly rural, but the picture is qualitatively worse in the urban centres.

The relative shift of poverty from rural areas to urban centres is more sharp when we consider individuals instead of households. In fact, in the case

of the individuals, not only did the urban poverty rate increase, but in 1989 it was higher than the rural poverty rate more clearly than in the case of households.

In absolute figures, the total number of poor persons decreased from about 2.5 millions in 1980 to 2.1 millions in 1989. Of the latter, 1.5 millions lived in rural areas and 0.6 millions in urban centres.

When the poverty line is considered as the symbolic representation of a range situated between +5% and -5% of its original value, the global poverty rate in 1989 varies by approximately plus and minus 2.5 percentage points, respectively.

In what concerns the changes between 1980 and 1989, one may state on reasonable grounds that the extent of poverty in the rural areas decreased during the 1980s, insofar as the top limit of the poverty rate in 1989 (24.7 per cent) is lower than the bottom limit of the poverty rate in 1980 (24.9 per cent). Similarly, it may be stated that the extent of urban poverty increased during the 1980s, since the bottom poverty rate in 1989 (20.8 per cent) is higher than the top rate in 1980 (20.5 per cent). With regard to the total poverty rate, however, the ranges of 1980 and of 1989 partially overlap. Therefore, the trend of the global poverty rate is unclear.

The analysis of the poverty gaps by deciles, for rural areas and urban centres, shows that the total consumption of about 15 per cent of the poor was equal to or below 50 per cent of the poverty line and that about 10 per cent of the poor spent less than the estimated cost of the diet used for defining the poverty line, which corresponds to a situation of hunger.

In 1989, there were no significant differences between the decile average gaps of rural areas and urban centres. This was not the case in the

beginning of the decade, when the rural gaps were systematically larger than the urban gaps. Both in 1980 as well as in 1989, the highest gaps represent particularly dramatic situations (with gaps between 85 and 99.5 per cent).

In 1989, the poverty rate was lower for individuals than for households, both for Mainland Portugal as a whole and as well as for rural areas and for urban centres. This means that, in all those cases, **poverty affected more smaller than larger households**. This is confirmed by the fact that, in that year, the average number of persons per household was of 3.07 for the total population and of 2.91 for the poor households. This finding reflects the low weight of the larger households in the total number of poor households, but does not elucidate about the vulnerability of larger households to poverty, which is analysed in the following chapter.

When the changes in the poverty rates of households and individuals, rural and urban, between 1980 and 1989, are compared with those of inequality, measured by the Gini coefficient, one verifies that, except for the urban households, in all the cases changes in poverty rate and in inequality have the same sign. However, the mentioned exception seems to offer empirical evidence to the idea discussed in Chapter 2, that poverty is not the same as inequality and that the two need not change in the same direction. In the present case, poverty among urban households increased by almost 4 percentage points, while the indicator of inequality remained unaltered.

These are, in summary, the main findings with respect to the global picture of poverty in the early and the late 1980s. In the following chapter, we will proceed by further analysing the main characteristics of the poor households.

6. CHARACTERISTICS OF POOR HOUSEHOLDS

Having seen some global aspects of poverty in the previous chapter, we will now analyse more in detail the characteristics of the poor. As mentioned earlier, some of these characteristics refer to the household, others to the poor individuals and, still others to the representative (head) of the household. In this last case, it is assumed that, beyond the inequalities that may occur within the household, there are some characteristics of the head that reflect on the other members.

6.1. Types of poor households

It is of interest to analyse the distribution of poor households by the most representative *types of households*.

Table 6.1 and Graph 6.1 present the distribution of the poor households by the *size of households* measured by the number of persons. It may be observed that in 1980, households of the smaller size (**single persons and two-person households**) had bigger shares of the total number of poor households. Furthermore, except for the second group (2-person households), **the share decreased as the size of the household increased**. This is equally true for the rural areas and the urban centres, when separately considered. The pattern of 1980 was confirmed clearer-cut in 1989, with enlarged shares in the three smaller-size households (by 10 percentage points and a decrease in the shares of the three larger sizes) and a (also by 10 percentage points). Also with regard to the direction of the changes during the 1980s, the rural areas present a pattern similar to the global picture. On the contrary, changes in the urban centres took the opposite direction: the share of households of 1 and 2 persons decreased during the decade, and that of households of 3, 4 and 5 persons increased. The

share of the largest group (households of 6 and more persons), however, dropped

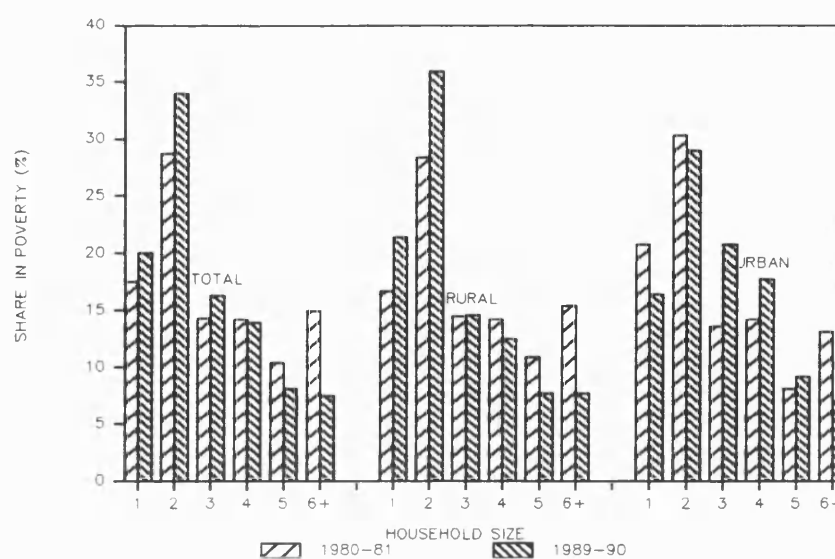
Table 6.1

**DISTRIBUTION OF POOR HOUSEHOLDS
BY SIZE OF HOUSEHOLD**

Size of household (persons)	TOTAL		RURAL		URBAN	
	1980 (%)	1989 (%)	1980 (%)	1989 (%)	1980 (%)	1989 (%)
1	17.5	20.0	16.7	21.4	20.8	16.4
2	28.7	34.0	28.4	35.9	30.3	29.0
3	14.3	16.3	14.5	14.6	13.6	20.8
4	14.2	13.9	14.2	12.5	14.2	17.7
5	10.4	8.1	10.9	7.7	8.1	9.2
6+	15.0	7.5	15.4	7.7	13.1	7.0
	100	100	100	100	100	100

Graph 6.1

**DISTRIBUTION OF POOR HOUSEHOLDS BY
SIZE OF HOUSEHOLD**



sharply, as in the rural areas.

Returning to the situation in 1989, it may be seen that more than 1/3 of the poor households (34 per cent) consisted of *two-person households*, followed by *single persons* (with 20 per cent), while households with *6 or more persons* did not exceed 7.5 per cent.

The picture is different when we focus upon the incidence of poverty (Table 6.2 and Graph 6.2). In 1989, *single persons* and households with *6 and more persons* appear as the *most vulnerable* to poverty, with proportions (37.7 per cent and 32.1 per cent, respectively) that are much higher than the average. Also highly vulnerable are the *2-person households*, with the incidence of 26.5 per cent (also above the average).

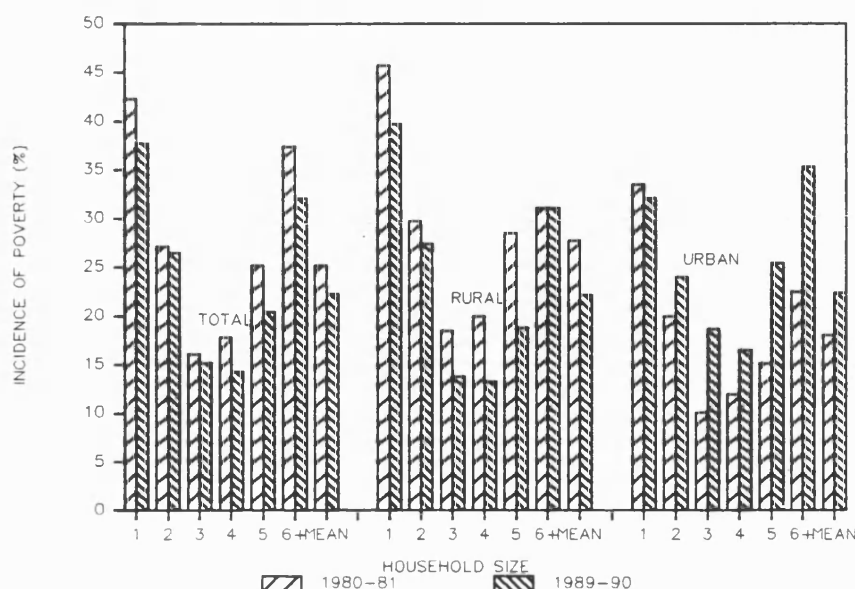
Table 6.2

INCIDENCE OF POVERTY BY SIZE OF HOUSEHOLD
(1980 AND 1989)

Size of poor households (persons)	TOTAL		RURAL		URBAN	
	1980 (%)	1989 (%)	1980 (%)	1989 (%)	1980 (%)	1989 (%)
1	42.3	37.7	45.7	39.7	33.5	32.1
2	27.1	26.5	29.7	27.4	20.0	24.0
3	16.1	15.2	18.5	13.8	10.1	18.7
4	17.8	14.3	20.0	13.3	12.0	16.5
5	25.2	20.4	28.5	18.8	15.1	25.4
6+	37.4	32.1	31.1	31.1	22.5	35.3
Total	25.2	22.3	27.7	22.2	18.0	22.4

Graph 6.2

INCIDENCE OF POVERTY BY SIZE OF HOUSEHOLD



Vulnerability to poverty suffered a sharp change during the 1980s, with the advantage for the rural areas and disadvantage for the urban centres. In the former zones, the proportion of poor households decreased for practically all the sizes, while in the urban centres all the groups contributed for the average increase in the poverty rate during the 1980s. The only exception were the single persons, with a slight improvement but, nevertheless, a still high vulnerability to poverty. In 1989, the large majority (83 per cent) of the latter group had 65 or more years of age and 41 per cent were over 74 years.

On the other hand, Graph 6.2 also reveals that, in spite of the low proportion of the larger households in the distribution of poverty, this group is one of the most vulnerable to poverty.

Table 6.3 a combined picture of poor households by size, poverty incidence and the the share in the distribution of poor households. It may be seen that the smaller households are the most vulnerable both in regard to their share as

Table 6.3
DISTRIBUTION AND INCIDENCE OF POVERTY
BY SIZE OF HOUSEHOLD 1989

		D I S T R I B U T I O N		
		High	Medium	Low
I N C I D E N C E	High	1 and 2 persons		6+ persons
	Medium			5 persons
	Low		3 persons	4 persons

well as to the incidence of poverty. On the other extreme are the 4-person households, with low share and incidence. Larger households (6 and more persons) show a low share and a high incidence and, finally households of 3 and 5 persons are in the intermediate position.

It may be argued that the share in the total poverty should be measured not in terms of **households** but of **persons**. In fact, the importance of the share is linked to the number of units of a particular class, as percentage of the total number of poor units. Therefore, the real weight of the share indicator should be referred not to the households (that hide large differences in their size), but to the number of persons comprised. However, the **incidence** of poverty is referred to the household, in the assumption that the causes of the vulnerability to poverty reflected by the incidence are more related to the household than to its individual members. In this perspective, Table 6.4 was built up, using, on the one side, the

Table 6.4
DISTRIBUTION OF POOR PERSONS AND
INCIDENCE OF POVERTY AMONG HOUSEHOLDS
BY SIZE OF HOUSEHOLD 1989

		D I S T R I B U T I O N		
		High	Medium	Low
I N C I D E N C E	High	2 and 6+ persons		1 person
	Medium		3 persons	5 persons
	Low		4 persons	

distribution of the individuals that live in the poor households of each size, and, on the other, the incidence of poverty among households of different sizes. It is interesting to note that the *single persons* and households of *6 and more persons* interchange their positions with regard to their shares in poverty, maintaining their high levels of poverty incidence. The *2-person households* do not see their position altered as *high* in both the aspects. We will later analyse deeper the most vulnerable groups in order to try to understand the causes of their poverty.

Tables 6.5 and 6.6 present the combined picture for the rural areas and urban centres.

Table 6.5

**DISTRIBUTION AND INCIDENCE OF POVERTY
BY SIZE OF HOUSEHOLD 1989 - RURAL AREAS**

		D I S T R I B U T I O N		
		High	Medium	Low
I N C I D E N C E	High	1 and 2 persons		6+ persons
	Medium			5 persons
	Low		3 persons	4 persons

Table 6.6

**DISTRIBUTION AND INCIDENCE OF POVERTY
BY SIZE OF HOUSEHOLD 1989 - URBAN CENTRES**

		D I S T R I B U T I O N		
		High	Medium	Low
I N C I D E N C E	High	2 persons	1 person	5 and 6+ persons
	Medium	3 persons	4 persons	
	Low			

Table 6.7 shows the distribution of the poor households by some of the most characteristic *types*, in 1989. The three most noticeable features are: the high proportion of persons living alone (20 per cent, which confirm the percentage mentioned above for single persons), most of them above 64

Table 6.7

DISTRIBUTION OF POOR HOUSEHOLDS
BY TYPE OF HOUSEHOLD - 1989

Type of household	Total (%)	Rural (%)	Urban (%)
Person below 65	3.6	4.0	2.7
Person above 64	16.0	17.0	13.5
Couple no children	27.8	29.8	22.3
Couple + 1 child	4.2	3.2	6.8
Couple + 2 children	4.6	4.4	4.9
Couple + 3+ children	3.1	3.2	2.7
Adult with children	1.8	1.4	2.7
Other	38.9	36.9	44.3
	100	100	100

years of age; the small percentage of single-parent families (less than 2 per cent); and the high proportion of couples without children (28 per cent) -- aspects that did not undergo appreciable change during the 1980s³⁸. If the former aspect is

38. The relation of poverty with the composition of the household in 1980-81 may be analysed considering the types of households shown in the following Table. It may be seen that the larger

DISTRIBUTION AND INCIDENCE OF POVERTY BY TYPE OF
HOUSEHOLD - RURAL AND URBAN (1980-81)

Type of household	RURAL		URBAN	
	Total(%)	Poor(%)	Total(%)	Poor(%)
1 adult.....	10.1	16.8	11.2	20.8
1 adult + 1 child	0.6	0.6	0.5	0.6
2 adults.....	25.9	27.8	26.9	29.7
1 adult + 2 children	0.6	0.2	0.5	0.3

similar to what has been observed in other European countries, the relatively small proportion of single-parent families among the poor seems to mark a difference, mainly when compared to the Northern countries.

As noted above, one fifth of the poor households consist of single persons, most of whom were over 64 years of age. More than 85 per cent of these persons were retired. Later, we will try to investigate to what extent poverty can, in this case, be explained by the low levels of the old-age pensions.

The fact that 57 per cent of the heads of poor households are pensioners shows clearly that policies of *income redistribution* have an important role in the prevention of poverty in Portugal. However, 40 per cent of the heads are active ("working poor"), which suggests that poverty is not merely a matter of redistribution of income, but is also related with the *primary distribution of income and wealth*. This issue will be discussed below.

2 adults + 1 child..	9.1	4.2	11.6	4.4
3 adults.....	11.9	10.1	12.2	8.9
1 adult + 3 children	0.2	0.3	0.2	0.3
2 adults + 2 children	8.2	5.1	10.0	5.3
3 adults + 1 child	5.5	4.5	5.3	4.2
4 adults.....	5.7	4.3	5.8	4.4
2 adults + 3 children	2.5	3.0	2.2	1.9
3 adults + 2 children	2.4	2.3	2.6	1.7
4 adults + 1 child	3.6	3.5	3.0	2.8
5 adults.....	2.1	2.0	1.9	1.4
4 adults + 2 children	0.4	1.8	1.1	1.7
5 adults + 1 child	1.6	1.9	1.1	1.1
Others(over 10 types)	9.6	11.6	3.9	10.5

shares of poverty are supplied by households of a single person, 2 adults and 3 adults. The interpretation of the latter two types of household requires that one should have in mind the definition of child adopted in this study (person below 14 years of age). Thus, those two types of households may include couples without children and with one child, respectively, as well a single-parent with one or two children, respectively. This aspect is particularly relevant when one notices that the percentage of poor households defined as composed of 1 adult + 1 or more children is extremely low, and needs a more detailed investigation. Be it as it may, what is worth noting is that single-parent families with children below 14 years make up a very small proportion of the poor households, in rural areas as well as in urban centres.

On the other hand, it should be underscored the almost all the single persons are women, as is the case in most of the other European countries.

6.2. Where do the poor live

The geographical distribution of poor households is shown in Table 6.8. It was mentioned earlier that about 73 per cent of the poor households in the late 1980s lived in rural areas. It may now be seen that about 86 per cent of the rural poor households (62 per cent of all poor households) live in places below 2000 inhabitants.

Table 6.8

**DISTRIBUTION AND INCIDENCE OF POVERTY
BY REGIONS POOR HOUSEHOLDS -
- RURAL AND URBAN (1989) 160**

Number of inhabitants	RURAL		URBAN	
	Distrib. (%)	Incidence (%)	Distrib. (%)	Incidence (%)
< =2000 inhabs.	86.1	24.0	-	-
>2000 to 10000	13.9	15.1	-	-
>10000 to 300000	-	-	54.7	19.6
>300000 inhabs.	-	-	45.3	27.2
	100	22.2	100	22.4

In such a context, one cannot avoid asking whether poverty in Portugal is not also a matter of *regional planning*. The chronic crisis of the agricultural sector and the resultant rural exodus of the younger generation, during the fifties and the sixties, pose questions about the economic viability of a considerably scattered population. In other words, is not poverty also associated with *under-urbanisation*, which may mean regional "under-development"?

However, about 27 per cent of the poor households live in urban centres. Of these, almost half (45.2 per cent) live in the only two towns with populations of over 300 000 inhabitants (Lisboa and Porto). In this case too, low living conditions are partly a consequence of a rural exodus that exceeded the possibilities of absorption of the larger towns. Degraded and precarious housing (namely barracks and the similar), which are one of the characteristics of urban poverty, have to be understood in this perspective.

From the regional point of view, the region of Lisboa and the Valley of the Tagus hosts about 60 per cent of the poor households of Mainland Portugal and is followed by the Northern region, with 27.1 per cent (Table 6.9). It is, however, important to note that the low shares of the other regions reflect only their demographic situation. Indeed, Alentejo shows the highest incidence of poverty (29.3 per cent), and the other two regions

Table 6.9

POVERTY BY REGIONS - 1989 161

Regions	Distrib. Incidence		Poverty Gap (%)		
	(%)	(%)	Total	Rural	Urban
North	27.1	26.5	26.0	25.7	27.4
Centre	3.7	20.6	29.6	29.9	23.6
Lisboa & V.T.	59.5	18.4	27.0	24.0	29.1
Alentejo	6.3	29.3	29.7	28.8	33.6
Algarve	3.4	17.0	30.3	31.7	24.1

(Centre and Algarve) also exhibit considerable vulnerability to poverty (20.6 and 17.0 per cent, respectively)³⁹. Map 6.1 illustrates these figures, by grouping the regions with similar values.

39. It would be interesting to have a finer regional breakdown of poverty. However, the data from the HBS/1989 are not considered reliable at a lower level.

Map 6.1

REGIONAL DISTRIBUTION OF POOR HOUSEHOLDS 1989 162

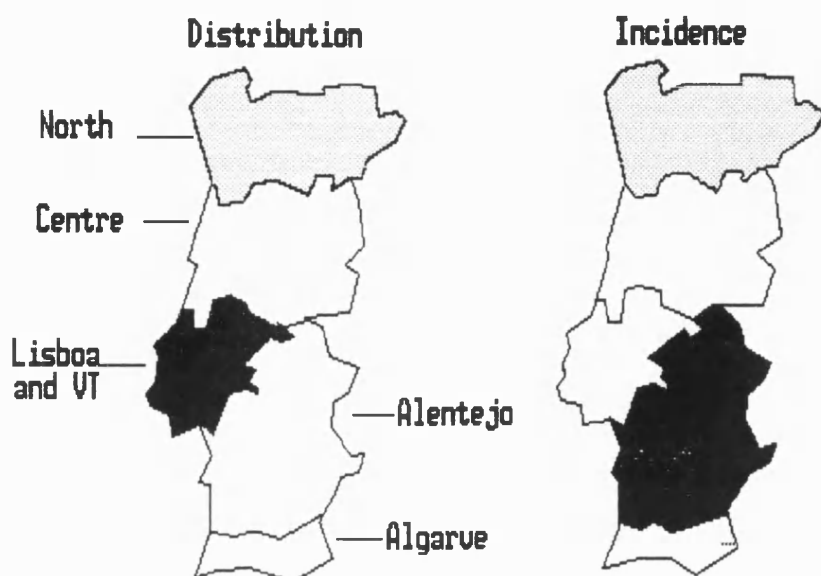


Table 6.9 also includes the relative poverty gaps in each of the five regions, with the rural/urban breakdown. The total gaps are relatively large and situated within a comparatively narrow range (between 26.0 and 30.3 per cent). Rural and urban values present wider ranges but do not seem to reveal particular differences between the regions. It is, nonetheless, worth noting that the regions with lower poverty incidence (Algarve, Lisboa and the Valley of the Tagus and the Centre) have larger gaps. Alentejo and the North appear as badly situated in both those aspects.

If we were to build up a *regional priority rank* based on the poverty incidence and gap alone, the regions could be assembled in three groups: 1. Alentejo; 2. North and Centre; 3. Algarve and Lisboa and the Valley of Tagus⁴⁰. If we were also to take into account the *demographic "weight"* of the regions by

40. Rank order of the sums of incidence and gap.

the inclusion of the distribution of the poor households, the priorities would be the following: 1. Lisboa and the Valley of the Tagus; 2. North; 3. Alentejo; 4. Centre and Algarve.

6.3. Who are the poor

As mentioned earlier, the way in which resources are distributed within families or households is a debatable issue (see, e.g., Jenkins, 1991). Nevertheless, it seems undeniable that at least some of the characteristics of the head are related to the life style of the whole family. Furthermore, certain types of facilities, durables and equipment (housing conditions, television, telephone, etc.) are generally enjoyed by all the members of the household. Hence, it is useful to analyse the most relevant characteristics of the head of household and, then, examine the available information on the living conditions of the poor households.

6.3.1. Gender distribution

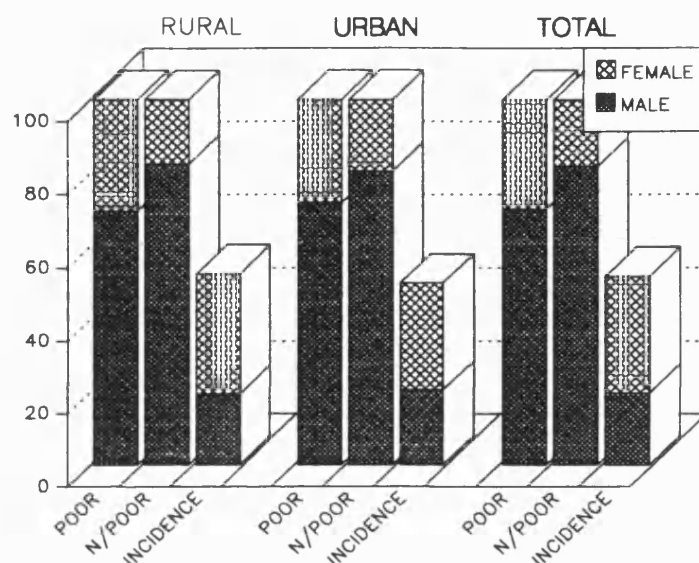
The *gender distribution* has to be analysed in two aspects. Firstly with regard to the heads of poor households and, secondly, with respect to the total number of poor persons. As to the first aspect, Table 6.10 reveals that the proportion of men as heads of household is much higher than that of women, both among the poor as

Table 6.10
POOR HOUSEHOLDS BY GENDER OF
HEAD OF HOUSEHOLD - 1989/90

RURAL		URBAN		TOTAL		
Gender	Poor (%)	Non-poor (%)	Poor (%)	Non-poor (%)	Poor (%)	Non-poor (%)
DISTRIBUTION						
Male	69.6	82.5	71.9	80.6	70.3	82.0
Female	30.4	17.5	28.1	19.4	29.7	18.0
	100	100	100	100	100	100
INCIDENCE OF POVERTY						
RURAL		URBAN		TOTAL		
Male	19.4		20.5		19.7	
Female	33.1		29.5		32.1	

well as among the non-poor. The same figures show that, both in rural areas as well as in urban centres, the proportion of women as heads of household is higher among the poor than among the non-poor. This means that households headed by women are more vulnerable to poverty than those headed by men. This difference is clear in the lower rows of the table, which reveal that the incidence of poverty among households headed by women is clearly higher. The difference is larger in the rural areas (about 14 percentage points) than in urban centres (9 percentage points). The above statements are illustrated in Graph 6.3.

Graph 6.3
POOR HOUSEHOLDS BY GENDER OF
HEAD OF HOUSEHOLD - 1989/90 165



It should be added that the higher vulnerability of the households headed by women has no relation with the size of the household. In fact, the average size of poor households headed by women is of 2.0 persons, while that of poor households headed by men is of 3.1 persons. It seems, therefore, that the explanation of that vulnerability should be sought in the sources of income. Indeed, among the women heads of poor households, 82 per cent are economically *inactive* (72 per cent retired and 9.2 per cent housewives).

The distribution of poor persons by gender presents a different picture. Here, the proportion of women is higher than that of men (Table 6.11 and Graph 6.4). Similarly, the incidence of poverty is higher among women. However, gender differences, both in the distribution and in the incidence, are here much smaller than in the case of the heads of households.

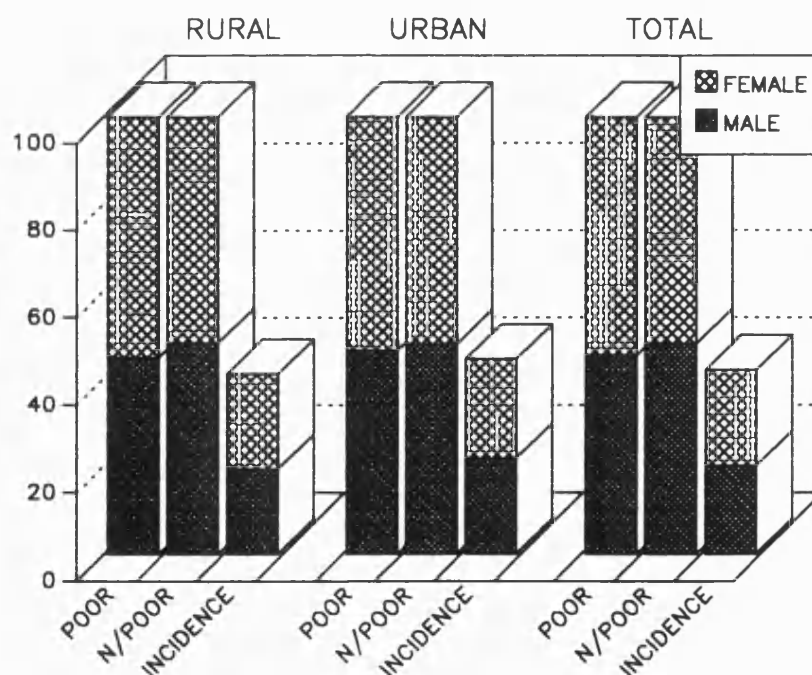
Table 6.11

POOR PERSONS BY GENDER - 1989

	RURAL		URBAN		TOTAL	
	Poor	N/poor	Poor	N/poor	Poor	N/poor
DISTRIBUTION						
Male	45.0	48.2	46.5	47.9	45.4	48.1
Female	55.0	51.8	53.5	52.1	54.6	51.9
	100	100	100	100	100	100
INCIDENCE OF POVERTY						
Male	19.5		21.8		20.1	
Female	21.7		22.8		22.0	

Graph 6.4

POOR PERSONS BY GENDER - 1989 166



It should be added that, in the particular case of the poor *single persons*, the proportion of women (78.2 per cent) is markedly higher than that of men (21.8 per cent). It is clear, therefore, that the problem of loneliness associated with the situation of the elderly -- perhaps more when in poverty --, affects

women in much larger proportions than men. This feature is related to the higher life expectancy in the case of women (71.2 years for men and 78.2 years for women, in 1989).

To wind up this section, it may be said that the various angles from which the problem was analysed show that both in rural areas as well as in the urban centres, women appear as more affected by poverty than men.

6.3.2. Age distribution

Poor households are headed mainly by *middle-age and older persons*: the share of the age-groups in the total poverty increases steadily with the age of the head of household (Table 6.12). The same may be said about the incidence of poverty, which means that the distribution pattern does not follow the demographic pyramid.

Table 6.12

DISTRIBUTION AND INCIDENCE OF POVERTY BY AGE OF HEAD POOR HOUSEHOLDS - 1989/90 167

Age of Head of household	RURAL		URBAN		TOTAL	
	Distr. (%)	Incid. (%)	Distr. (%)	Incid. (%)	Distr. (%)	Incid. (%)
Below 25	0.6	11.1	0.7	15.4	0.7	12.1
25-34	5.5	10.1	8.3	15.3	6.3	11.5
35-44	8.7	11.1	14.5	14.9	10.3	12.3
45-54	11.7	13.8	16.2	17.0	13.0	14.7
55-64	23.5	23.6	21.5	24.5	22.9	23.8
65+	49.9	39.4	38.8	36.3	46.9	38.7
	100	22.2	100	22.4	100	22.3

Table 6.13 reveals that the demographic structure of the poor and the non-poor population is not markedly different, except for the highest age-group, with

Table 6.13

DISTRIBUTION OF POOR PERSONS BY AGE - 1989 168

Age groups	RURAL POOR (%)	URBAN POOR (%)	TOTAL (%)	
			POOR	N/POOR
Below 5	3.9	5.5	4.4	4.9
5-9	6.3	6.2	6.3	6.8
10-14	8.3	7.5	8.1	8.8
15-19	8.3	8.5	8.3	8.5
20-24	5.7	7.7	6.3	6.6
25-29	4.2	5.2	4.5	6.1
30-34	3.5	5.0	3.9	7.0
35-39	4.0	4.6	4.2	6.9
40-44	3.5	5.3	4.0	6.9
45-49	4.1	4.4	4.2	6.0
50-54	4.9	5.3	5.0	6.9
55-59	6.2	6.4	6.3	6.3
60-64	8.6	6.5	8.0	5.9
65-69	8.4	6.7	7.9	4.9
70-74	7.3	6.7	7.1	3.2
75+	12.9	8.3	11.5	4.3

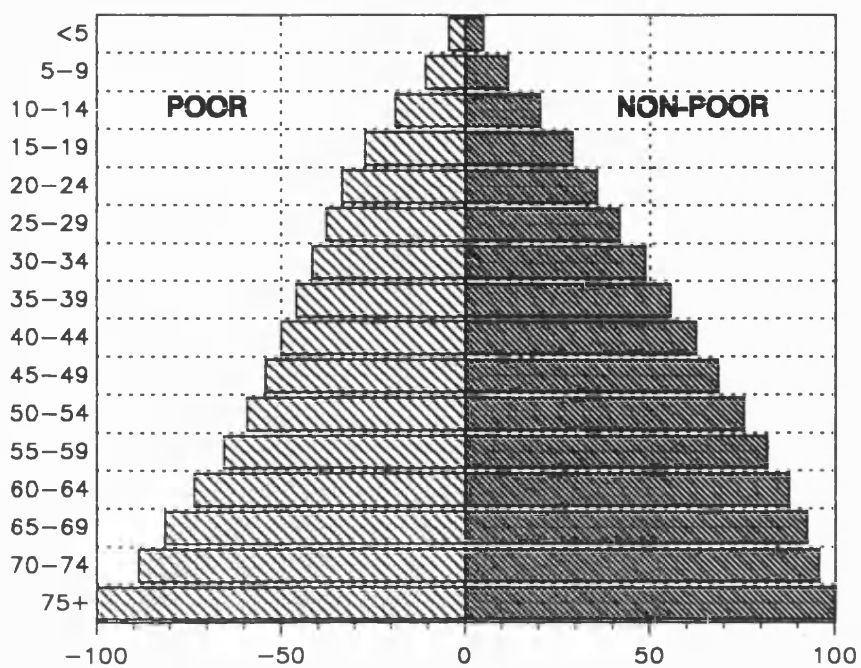
a much greater weight among the poor than among the non-poor.

The graphical representation of the cumulative percentages of the different age-groups (Graph 6.5) seems to confirm that the demographic structure of the poor and the non-poor populations are not dissimilar. Nevertheless, some differences emerge from the graph. Thus, the younger half of the non-poor population has, at most, 34 years of age, while in the case of the poor population it reaches the age of 44 years. On the other hand, persons above 64 years represent 12.4 per cent of the non-poor population, but 26.5 per cent of the poor.

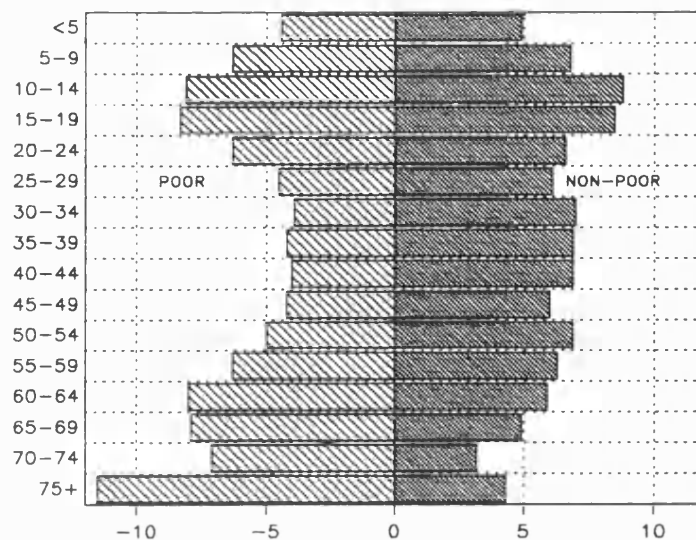
The structure of the population by age-groups (Graph 6.6), perhaps gives a clearer image of the two groups. In fact, in this case, one may observe that the percentages of the non-poor in the lower age groups are systematically, though slightly, higher than those of the non-poor and that the situation is inverse at higher ages, namely from 60 years onwards, with an increasing balance on the

Graph 6.5

CUMULATIVE AGE DISTRIBUTION OF
THE POOR AND THE NON-POOR - 1989

Graph 6.6

AGE DISTRIBUTION OF THE POOR AND THE NON-POOR - 1989



side of the poor.

It seems possible to summarise the picture saying that the non-poor population is younger than the poor population in two senses: the non-poor have higher percentages in the range of lower cohorts and lower proportions of the higher cohorts.

6.3.3. Marital status

With respect to the *marital status of the heads of poor households*, one may observe (Table 6.14) that the dominant groups are the married (66.4 per cent) and the widows/ers (23.7 per cent). The single and the divorced/separated jointly do not exceed 9.9 per cent (7.7 per cent and 2.2 per cent, respectively). However, the distribution varies considerably with

Table 6.14

**MARITAL STATUS OF HEADS OF
POOR HOUSEHOLDS (1989)**

Civil status	Men (%)	Women (%)	Total (%)
Single	3.3	18.2	7.7
Married	90.0	10.8	66.4
Widow/er	6.0	65.5	23.7
Divorced/Sep.	0.8	5.5	2.2

the gender: 90 per cent of men are married, while 65.5 per cent of women are widows and 18.2 single.

A more detailed analysis shows that more than half (53.4 per cent) of the *single women* live alone, 6.9 per cent head single-parent families and 1 per cent

head families with 3 or more children. The remaining group of single women heads "other types of households" with sizes that range from 2 to 10 persons.

Only 38.8 per cent of the *single men* live alone. Almost half (49 per cent) head "other types of families" that range from 2 to 9 persons, 10.2 per cent belong to couples without children and 2 per cent head single-parent families.

However, from the marital status of the total poor population one can see that the number of married couples⁴¹ exceeds by 5.6 per cent the number of married heads of household. This "excess" may be explained by the number of married couples that share housing with other couples or single persons and, therefore, are not counted as independent households.

6.3.4. Poverty and education

Poverty is closely related to *low levels of education*. Although, even for the non-poor households, the general level of education of the heads of household in the late 1980s, in Portugal, was low for European standards, the situation was clearly worse in the case of poor households (Table 6.15 and Graphs 6.3 and 6.4): over 53 per cent of the households were headed by persons that had not even finished the primary level⁴² and over 94 per cent had, at most, education of that level. The negative correlation between poverty and education is clear.

This aspect is of particular importance, since in this case, the cause-and-effect mechanisms operate in both directions: on the one hand, poverty is a result

41. Number of married persons divided by 2.

42. This percentage includes the "illiterate" and those who "know to read and write but have no diploma".

Table 6.15

LEVEL OF EDUCATION OF HEADS OF HOUSEHOLDS 172

=====						
Level of educ.		1980		1989		

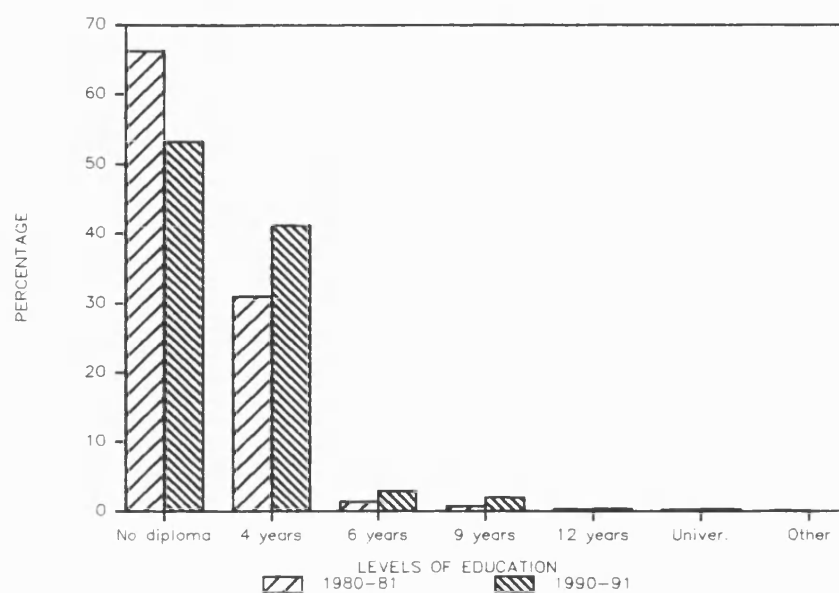
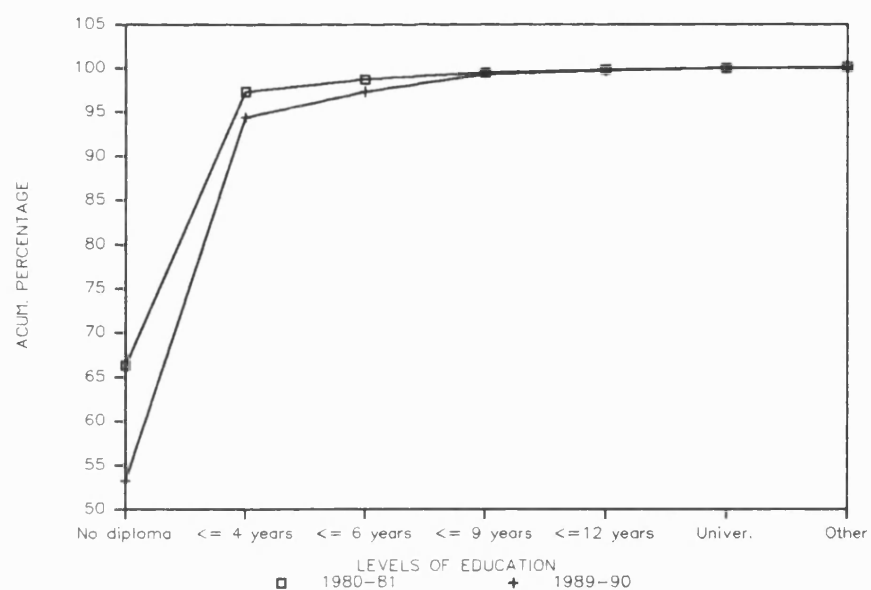
Head of household		Poor	Non-poor	Poor	Non-poor	Poor HH < 45
(%)	(%)	(%)	(%)	(%)		

No primary		66.3	32.5	53.2	19.2	15.1
Primary (4 y.)		31.0	47.4	41.2	52.8	69.5
Preparatory (6 y.)		1.4	5.6	2.9	8.8	8.9
Secondary (9 y.)		0.8	6.6	2.0	9.1	4.3
Complement.(12 y.)		0.3	3.2	0.4	4.6	1.9
University		0.2	3.3	0.3	4.2	0.3
Other		0.1	1.4	-	1.3	-
		-----	-----	-----	-----	-----
		100	100	100	100	100

of low levels of education (insofar as wages depend upon qualifications) and, on the other, it is a powerful obstacle to education, even at compulsory (free) levels. In this sense, this is *one of the vicious circles that catches those who are in poverty*.

The table includes a column with the distribution of the poor households headed by persons *below the age of 45 years*, which reveals that even the educational level of the younger heads of poor households is manifestly low (about 85 per cent had, at most, the primary -- 4 years -- school).

It should be added that the improvement that has been achieved during the 1980s is too narrow for a period of ten years, as can be seen in the Graphs 6.7 and 6.8.

Graph 6.7**LEVEL OF EDUCATION OF HEADS OF POOR HOUSEHOLDS****Graph 6.8****LEVEL OF EDUCATION OF HEADS OF POOR HOUSEHOLDS - ACCUMULATIVE PERCENTAGES**

6.3.5. Occupation of the poor

The distribution of the poor households by the *occupation of the head of household* (Table 6.16 and Graph 6.9) confirms the weight of the pensioners

Table 6.16

OCCUPATION OF HEADS OF POOR HOUSEHOLDS

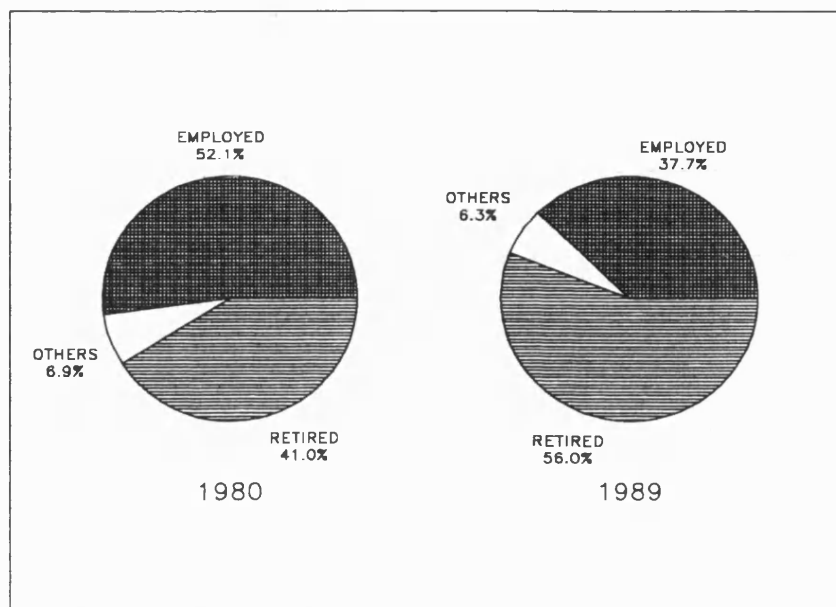
Occupation	1980(%)	1989(%)
Employed with civil profession	52.1	37.7
Armed Forces	0.1	0.6
Unemployed (1st. job)	(a)	(a)
Unemployed (new job)	0.6	1.7
Housewife	3.1	2.8
Retired	41.0	56.1
Disabled	1.6	0.9
Others	1.5	0.3
	100	100

(a) Less than 0.1.

mentioned earlier, and also highlights the fact that the proportion of the inactive poor increased sharply during the 1980s, from about 45 per cent to around 57 per cent. This stresses the growing importance of *social security* and *social welfare* policies both in preventing and in combating poverty. However, the table also reveals that still 37.7 per cent of the heads of poor households are active persons, which means that poverty is also closely related to the *labour market*. The low level of unemployment in the early 1980s explains the relatively low proportion of the unemployed among the poor (this aspect will be further analysed below) and leads to the conclusion that the main problem in this aspect is related to *wages*.

Graph 6.9

OCCUPATION OF HEADS OF POOR HOUSEHOLDS



In general terms, the changes in the ratio between inactive and active heads of poor households result from two sets of changes: on the one hand, the increase in that ratio for the total number of households (poor and non-poor) from 31.9 per cent in 1980 to 37.1 per cent in 1989; and, on the other, a bigger fall of the incidence of poverty among the active groups (by 4.2 percentage points) than among the inactive (1.8 percentage points (Table 8.17)).

Table 6.17

ACTIVE AND INACTIVE
HEADS OF HOUSEHOLDS

	Structure (Poor + Non-poor)		Incidence of poverty	
	1980	1989	1980	1989
Active	68.1	62.9	19.3	14.1
Inactive	31.9	37.1	37.8	36.0
Total	100	100	25.2	22.3

Having called attention to the relevance of inactive persons in the distribution of poor households, we should now examine more closely the group of the "working poor". Table 6.18 presents the distribution of poor households headed by active persons, by the *occupational status* of the head.

Table 6.18

**DISTRIBUTION OCCUPATIONAL STATUS OF HEAD
OF POOR HOUSEHOLDS HEADED BY ACTIVE PERSONS 152**

Socio-economic category of head of household	1980/81		1989/90	
	Distrib. (%)	Incidence (%)	Distrib. (%)	Incidence (%)
Employer/Agric.	37.1	35.3	18.4	25.6
Employee in Agric.	12.9	30.4	11.6	31.2
Professionals	0.0	0.0	0.2	3.7
Employer/non-Agric.	11.2	15.0	13.8	10.8
Techn.staff (cadres)	3.5	3.8	1.5	2.8
Employee/Industry	28.8	18.7	35.0	15.5
Employee/Commerce	5.0	13.6	12.8	9.0
Other active	1.6	14.2	6.7	16.0
	100		100	

The weight of the agricultural occupations dropped substantially during the 1980s, from 50 per cent to around 30 per cent. Inversely, the proportion of employees in Industry and Commerce increased, particularly in the former sector, which had the highest share in poverty towards the end of the decade. This change is partly explained by the changes in the structure of the labour force, characterised by a fall of the share of the primary sector and, in smaller proportion, of the secondary, in favour of the tertiary (Table 6.19).

Table 6.19

STRUCTURE OF
LABOUR FORCE 154

Sectors	Structure (%)	
	1980	1989
Primary	27.2	18.9
Secondary	36.0	35.2
Tertiary	36.8	46.0

The most vulnerable groups work in Agriculture, either as employers (of which 25.6 per cent are poor) or employees (almost one third are poor). These are the only groups with an incidence above the average. However, the largest group consists of employees in Industry (35 per cent of the total). The other two groups with relatively high shares are the employers in non-agricultural activities (13.8 per cent) and the employees in Commerce (12.8 per cent).

These figures highlight some relevant aspects of poverty in Portugal. Firstly the fact, already mentioned above, that *redistribution policies*, though extremely important to prevent and combat poverty among households headed by economically inactive persons, *do not cover all the sources of poverty*. *Low wages*, that result from *low levels of education (and professional training)* and the *labour market system* are another important factor that generates poverty.

Secondly, the situation of the *agricultural sector* is manifestly a major source of poverty, that hits employers as well as employees. In this context, developments in the Single European Market and in the Common Agricultural Policy are a matter of particular concern.

Finally, the proportion of 13.8 per cent of employers in non-agricultural activities suggests that low wages are linked to more general problems of the economy.

It should be stressed that the proportion of households headed by unemployed persons does not exceed 4.3 per cent of the poor households headed by active persons, which is, indeed, a low percentage in the European context and reflects the comparatively low unemployment rate in the late 1980s (5.2 per cent in 1989, versus an average rate of 9.1 per cent in the European Community) (EUROSTAT, 1991)⁴³.

6.4. Summary of the main findings

The main findings of the preceeding ananlysis may be summarised as follows:

a) *In 1980, smaller households had bigger shares in total number of poor households. Except for the 2-person households, the share decreased as the size of the household increased.*

b) The above pattern was *further stressed in 1989*. Indeed, *during the 1980s, the shares of the smaller households increased and those of the larger households decreased*. Similar changes occurred in the *rural areas*. However, in *urban centres*, the share of the smaller households decreased and those of the larger households increased, excepting the largest group (households with 6 and more persons), that dropped sharply as in the rural areas.

c) In the *rural areas* the *incidence of poverty decreased in practically all the sizes during the 1980s*; in the *urban centres* the *rate increased in all the groups*.

⁴³. It should be noted that the proportion of 4.3 per cent refers only to poor heads of household and not to the total poor active population.

d) In 1989, 34 per cent of the poor households consisted of *two-person households*, and 20 per cent of *single persons*; *single-parent families* represented less than 2 per cent of the poor; *couples without children* represented 28 per cent.

e) In 1989, the *smallest* and the *largest* families appear as the most vulnerable to poverty.

f) When the distribution of poverty is measured by the number of persons (instead of that of households), households with 2 persons and of 6 and more persons are the most affected, both in terms of the share and of incidence. *Single persons* show a *high poverty incidence* but a *low weight*.

g) Most the *single persons* were over 64 years of age; more than 85 per cent of these persons were retired. In the case of *single persons*, the proportion of women is markedly higher than that of men.

h) 57 per cent of the heads of poor households are *pensioners* and 40 per cent are *active* ("working poor").

i) About 73 per cent of the poor households in 1989 lived in *rural areas*. About 86 per cent of the rural poor households (62 per cent of all poor households) live in places *below 2000 inhabitants*.

j) About 27 per cent of the poor households live in *urban centres*. Of these, 45.2 per cent live in the only two towns with populations of *over 300 000 inhabitants* (Lisboa and Porto).

k) If we were to build up a *regional priority rank* based on the poverty

incidence, gap and demographic "weight" of the regions the priorities for action would be the following: 1. Lisboa and the Valley of the Tagus; 2. North; 3. Alentejo; 4.

Centre and Algarve.

l) Both in *rural areas* as well as in *urban centres*, *households headed by women are more vulnerable to poverty* than those headed by men. The higher vulnerability of the households headed by women has no relation with the *size of the household*. Among the women heads of poor households, 82 per cent are *economically inactive*.

m) Considering all the poor persons, *the proportion of women is higher than that of men*. Similarly, *the incidence of poverty is higher among women*. However, gender differences, both in the distribution and in the incidence, are here much smaller than in the case of the heads of households.

n) Poor households are headed mainly by *middle-age and older persons*: the *share* of the age-groups in the total poverty and the *incidence* of poverty increase steadily with the age of the head of household.

o) *Non-poor population* is younger than the *poor population* in two senses: the non-poor have higher percentages in the range of lower cohorts and lower proportions of the higher cohorts.

p) With regard to the marital status, the dominant groups are the *married* (66.4 per cent) and the *widows/ers* (23.7 per cent). The *single* and the *divorced/separated* jointly do not exceed 9.9 per cent. However, the distribution varies considerably with gender: 90 per cent of *men* are *married*, while 65.5 per cent of *women* are *widows* and 18.2 *single*.

q) 53 per cent of the *single women* live alone, 7 per cent head *single-parent families* and 1 per cent head *families with 3 or more children*. The remaining group of single women heads "*other types of households*" with sizes that range from 2 to 10 persons.

r) 39 per cent of the *single men* live alone. 49 per cent head "*other types of families*" that range from 2 to 9 persons, 10 per cent belong to *couples without children* and 2 per cent head *single-parent families*.

s) From the marital status of the total poor population one can see that the *number of married couples* exceeds by 6 per cent the *number of married heads of household*. This "excess" may be explained by the number of married couples that share housing with other couples or single persons and, therefore, are not counted as independent households.

t) Over 53 per cent of heads of households had not even finished the *primary level education*; 94 per cent had, at most, the primary level. The negative correlation between poverty and education is clear. Even among the younger heads of poor households (below 45 years) about 85 per cent had, at most, the primary -- 4 years -- school.

u) The proportion of the *inactive poor* increased during the 1980s, from about 45 per cent to around 57 per cent. 38 per cent of the heads of poor households are *active* persons. The changes in the *ratio between inactive and active* heads of poor households result from two sets of changes: on the one hand, the increase in that ratio for the total number of households (poor and non-poor) from 31.9 per cent in 1980 to 37.1 per cent in 1989; and, on the other, a bigger fall of the incidence of poverty among the active groups (by 4.2

percentage points) than among the inactive (1.8 percentage points).

v) Among the *active heads of poor households*, the weight of the *agricultural* occupations dropped during the 1980s, from 50 per cent to around 30 per cent. Inversely, the proportion of employees in *Industry* and *Commerce* increased, particularly in the former sector, which had the highest share in poverty towards the end of the decade. This change is partly explained by the changes in the structure of the labour force, characterised by a fall of the share of the primary sector and, in smaller proportion, of the secondary, in favour of the tertiary. The proportion of 13.8 per cent of employers in non-agricultural activities suggests that low wages are linked to more general problems of the economy.

x) The *most vulnerable groups* work in *Agriculture*, either as *employers* or *employees*. However, the largest group consists of *employees in Industry* (35 per cent of the total). The other two groups with relatively high shares are the *employers in non-agricultural* activities and the *employees in Commerce*.

y) The proportion of households headed by unemployed persons does not exceed 4.3 per cent of the poor households headed by active persons.

7. POVERTY AND LIVING CONDITIONS

It is not the purpose of this chapter to offer a description of the living conditions of the poor. It rather tries to analyse the links between the living conditions and the economic situation of the poor. The existence of such links was one of the basic assumptions underlying the methodology and the indicators used for defining the poverty line. A faithful picture of the life-style of the poor would, no doubt, be helpful to illustrate the state of deprivation that resources below the level of the poverty line actually imply. Unfortunately, however, the information available in the HBS/1989 covers a very limited number of such aspects and is therefore insufficient to draw a satisfactorily comprehensive picture of how the poor live⁴⁴. We, therefore, have to abstain from such an exercise.

7.1. The poverty gap

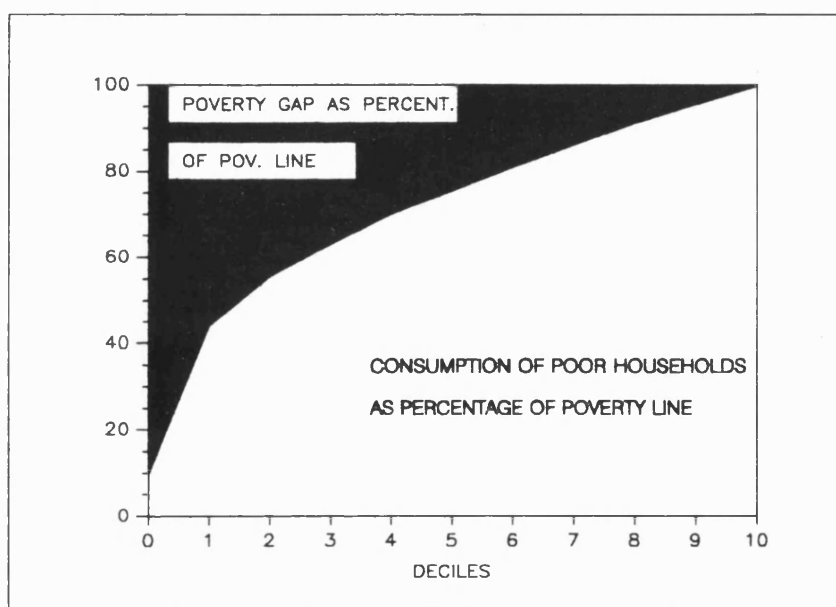
The first aspect that deserves attention concerns the poverty gap. In the chapter on the *Measurement of Poverty*, reference was made to the poverty gaps in 1980 and 1989, in rural areas and urban centres. Furthermore, it was shown how the average values of the gaps hide a wide disparity of values among the poor. From the point of view of the living conditions, the interval of variation is of particular interest, since the height (or depth) of the gap reflects the *severity* (or *intensity*) of poverty, i.e. the degree of stringency of the living conditions of the poor.

Graph 7.1, is constructed with the extreme values of the poverty gap for each decile in 1989. It assumes that the distribution within the decile follows a

44. The only sector considered -- housing -- is partially covered. And there is no information about other important aspects, such as the working conditions, etc..

linear function. As the graph shows, in 1989 the gaps ranged from values close to zero to proportions of about 90 per cent of the level of the poverty line. The consumption of about 8 per cent of the poor households is less than 40 per cent of the poverty line, which means that it does not cover food needs and, hence, these households face some form of

Graph 7.1
RELATIVE POVERTY GAP IN 1989
UPPER LIMITS OF DECILES



hunger; that of 20 per cent of the poor is at most 55 per cent of the poverty line; that of 40 per cent of the poor does not exceed 70 per cent (little above $2/3$) of the poverty line; and that of half of the poor households is, at most, $3/4$ of the poverty line. Finally, the graph also reveals that the gap of the poorest households reaches 85 to 90 per cent of the poverty line.

7.2. Main sources of the incomes of the poor

The large majority (82 per cent) of poor households has 1 or 2 income recipients (Table 7.1). About 46 per cent of the recipients of one-income-recipient households share their resources with one or more persons. Households with 2 income recipients have a higher proportion of cases without dependants. The latter group consists mainly of couples without children (about 50 per cent) and other two-person households. Except for the one-income-recipient group, as the number of recipients increases, so does the proportion of households with dependants. In the last group (4 and more income recipients) 67 per cent of the households have dependants (2 or more in 42 per cent of the cases).

Table 7.1

NUMBER OF INCOME RECIPIENTS

IN POOR HOUSEHOLDS

BY NUMBER OF DEPENDANTS 1989

Number of income recipients	Structure (%)	Number of dependants (%)			
		No deps.	1	2+	Total
1 inc. rec.	38.3	54.3	20.0	25.8	100
2 inc. recs.	43.9	62.0	18.9	19.1	100
3 inc. recs.	11.6	43.5	26.2	30.2	100
4+ inc. recs.	6.2	33.1	24.8	42.1	100
Total		100			

It was seen earlier that, in 1989, about 94 per cent of the poor households were headed either by retired persons (56.1 per cent) or by the employed with civilian profession (37.7 per cent). Table 7.2 shows that the situation with respect to the number of dependants is quite different in the two cases: the large majority (75.8 per cent) of those who have a civilian profession had to share the incomes and 49 per cent with 2 or more persons. Among the retired persons 78.9 per cent did not share their income, although the proportion of those who did was also

significant (21.5 per cent).

Table 7.2
NUMBER OF DEPENDANTS OF
HEADS OF
POOR HOUSEHOLDS - 1989

Number of dependants	Retired	Civilian profession
0	78.6	24.1
1	15.9	26.7
2+	5.6	49.1
	100	100

With regard to the latter group (the retired), it should be added, however, that only 39.2 per cent lived with their income alone. The remaining 60.8 per cent were heads of households with 2 or more income recipients.

The *main source of income* of the poor is shown in Table 7.3, with reference to the head of household and to poor persons that are not heads but have 25 or more years of age. As could have been expected from the occupational characteristics of the heads, social security pensions appear as their main source

Table 7.3
MAIN SOURCE OF INCOME OF THE POOR

Main source of income	Heads of Households	Other persons 25+ years
Work	36.6	24.9
Temporary subsidies	1.1	0.5
Income from property	1.5	0.3
Pensions	55.4	42.1
Assistance	0.2	0.3
Family or other persons	5.2	31.9
TOTAL	100	100

of income. What might seem strange is that pensions are also the main source of income of 42 per cent of the other (non-heads) poor persons above 25 years. However, when we realize that 2/3 of these persons are above 64 years and 88 per cent are inactive, that proportion does not surprise. On the other hand, it is worthwhile noting that about 1/3 of non-heads above 24 years depend on the family or other person(s) for their living. Of these, 82.3 per cent are *housewives*, 1 per cent *students*, 2.9 per cent *handicapped*, 7.7 per cent *working* and 4.4 per cent *unemployed*. Of the latter two groups, 59 per cent correspond to family workers. Nevertheless, the figures seem to suggest a possible relation of their situation with the *labour market* and with the *system of social protection for the unemployed*.

7.3. Poverty and living conditions

As said, the HBS/1989 includes a limited number of indicators of the living conditions. Most of the available indicators refer to housing or are related with durables and amenities. Nevertheless, it seemed of interest to verify the relation between them and the household consumption and examine how a poverty line defined in monetary terms translates actual living conditions⁴⁵.

The following *eight indicators* were chosen: access to waste disposal facilities, refrigerator, deep freezer, heating, colour TV, vacuum cleaner, clothing washing machine and telephone.

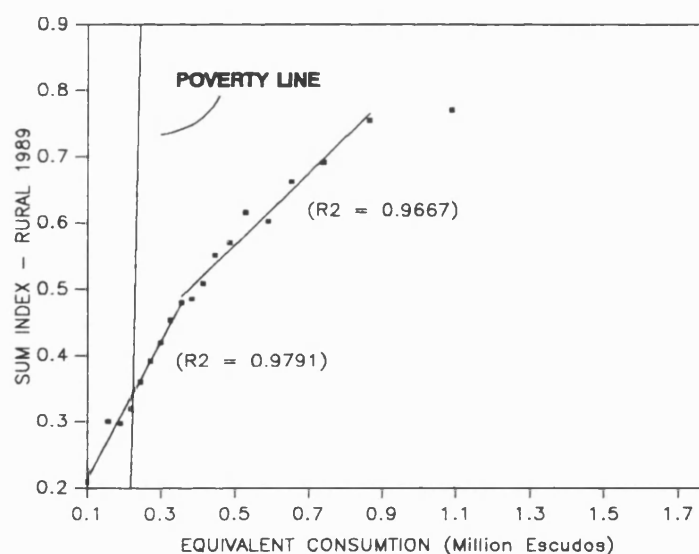
The questions on those indicators were formulated in terms that accepted only one response of the type "Yes or No". On the other hand, it did not seem possible to choose some indicators in relation to which the negative response should mean poverty (and vice-versa) and the positive response non-poverty (and

45. Of course, the test was conditioned by the limited set of the available indicators.

vice-versa). Therefore, the methodology used consisted in dividing the sample into twenty equal parts and examining the sum of the frequencies of "Yes" and "No" responses -- represented by 0 (zero) and 1 (one), respectively -- to the whole set of indicators in each demi-decile. These frequencies were plotted against the mean equivalent consumption of each demi-decile.

Graph 7.2 shows the results for rural areas. The correlation between the household total equivalent consumption and the index that represents the sum of

Graph 7.2
SUM INDEX BY EQUIVALENT CONSUMPTION
RURAL AREAS - 1989



frequencies is clear. On the other hand, the graph can be divided into three distinct zones: one covering the highest three demi-deciles, the second going from the third highest demi-decile to the twelfth, and the third comprising the lower nine demi-deciles.

Regression analysis shows that, leaving aside the highest zone (due to the limited number of points), the other two zones can be fairly well represented by

linear functions (with R square of 0.9567 and 0.9791), with increasing slopes from higher to lower consumption.

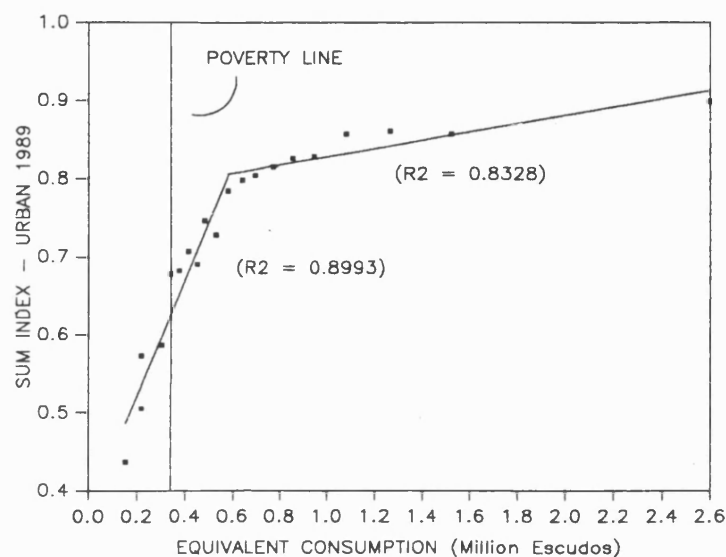
Moreover, it may also be seen that the line representing the poverty line used in this study, falls within the range with the highest slope, that is, the zone in which a given reduction in the consumption implies a sharper drop in the index.

In spite of the limitations of the data, the graph seems to support, in broad terms, Townsend's hypothesis about the existence of a point at which the fall of the level of living with the decrease of total income suffers an acceleration. The limited number of the available indicators does not allow a deeper examination of this issue in order to verify whether that point should define the poverty line. As shown in the graph, the poverty line that corresponds to the hypothesis (possibly the ninth demi-decile from the bottom) is higher than the one used in this study (between the fourth and the fifth lower demi-deciles).

A similar exercise for the urban centres produced the results shown in Graph 7.3. In this case, the regression analysis leads to the identification of only two zones. The values of R squared are slightly lower than in the rural areas. Nevertheless, the observations made about those areas apply also in this case. Townsend's hypothesis is perhaps better verified here, insofar as the contrast between the slopes is sharper.

It is also worthwhile noting that the comparative analysis of the rural and the urban graphs reveals that the global picture of the living conditions in the rural areas is lower than in the urban centres: the extreme values of the index are lower and there is a higher concentration of households at lower levels of the index.

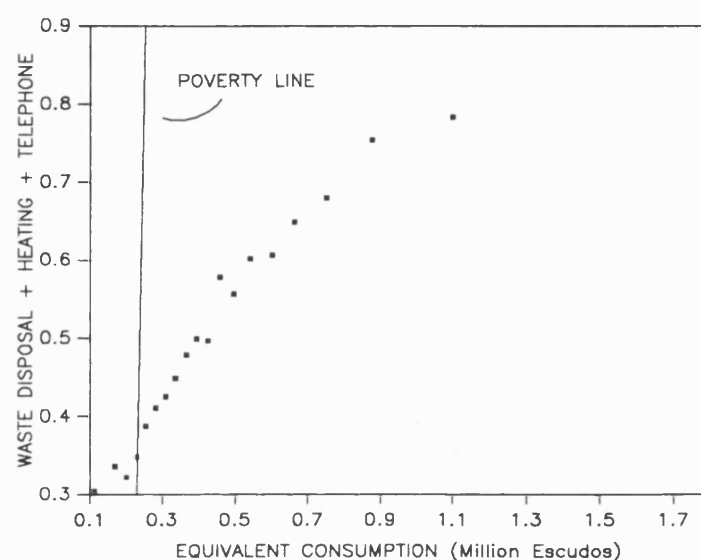
Graph 7.3
SUM INDEX BY EQUIVALENT CONSUMPTION
URBAN CENTRES - 1989



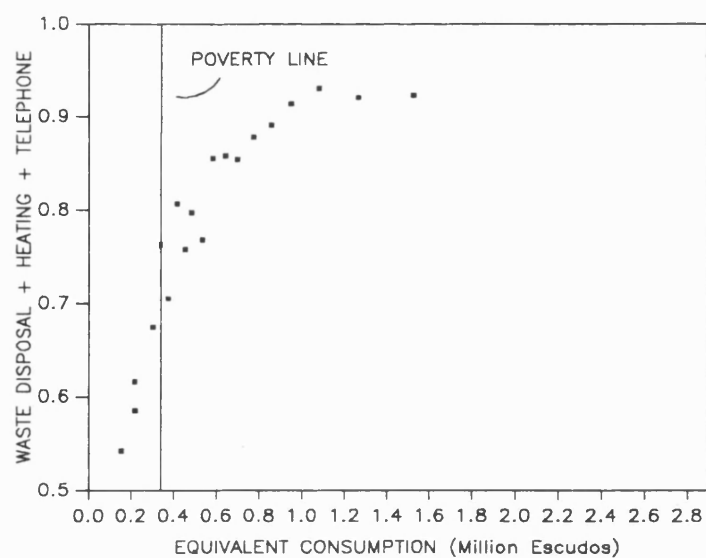
It may be argued that the indicators that are available and were used for analysing the living conditions of the households are not the most adequate for assessing the differences between the poor and the non-poor and, moreover, are based mainly on the urban life-style. Aiming at taking account of this critique, three basic indicators were chosen -- waste disposal, heating and telephone -- and the exercise was repeated for rural areas and urban centres. The corresponding results are presented in Graphs 7.4 and 7.5 and seem to confirm the earlier findings.

Graph 7.4

3 INDICATORS INDEX BY EQUIVALENT CONSUMPTION
RURAL AREAS - 1989

Graph 7.5

3 INDICATORS INDEX BY EQUIVALENT CONSUMPTION
URBAN CENTRES - 1989



The annex to the present chapter contains two sets of graphs in which each of the indicators is plotted against equivalent consumption, for rural areas and for urban centres. These graphs show a clear relation (though not linear) between the pairs of variables.

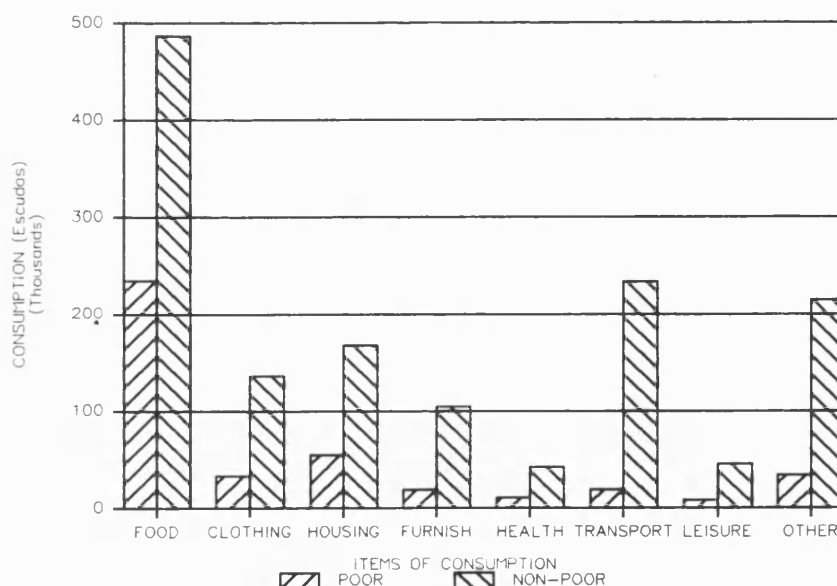
7.4. Consumption structure

Another aspect that is of interest concerns the consumption structure of the poor. The sharp differences between the rural and the urban life-styles recommends that consumption be analysed separately in those two cases.

Graph 7.6 allows to compare the *absolute values* of the main consumption items of the poor and the non-poor in the *rural areas*. The advantage of the non-poor is systematic throughout the set of items and the differences are marked in all the cases.

Graph 7.6

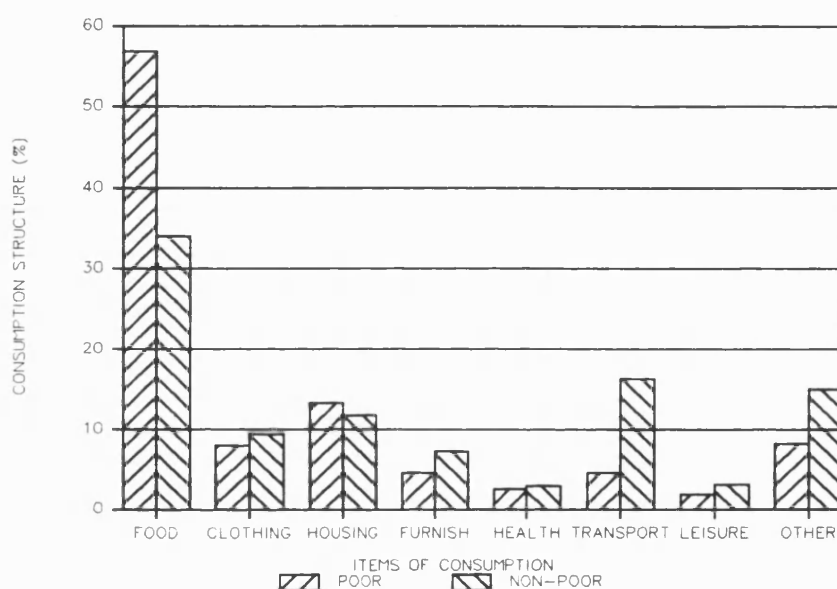
CONSUMPTION IN RURAL AREAS - 1989



The picture is different when we examine the consumption *structure* (Graph 7.7). The lower level of the *food* consumption of the poor

Graph 7.7

CONSUMPTION STRUCTURE IN RURAL AREAS - 1989



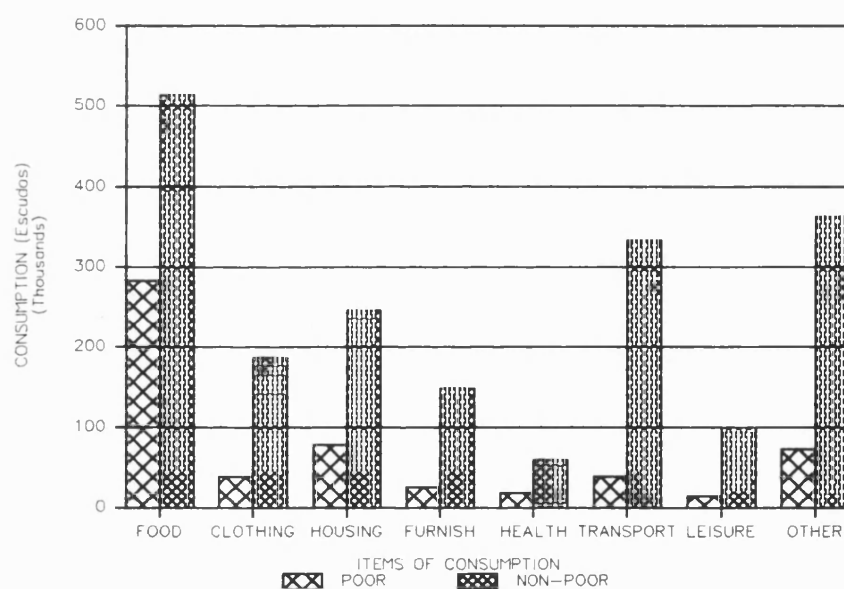
corresponds to a markedly higher share of the total consumption when compared to that of the non-poor (56.8 per cent and 34.0 per cent, respectively). *Housing, heating and light* is another item that demands a higher proportion of total consumption in the case of the poor households. In *clothing and footwear*, percentages of the same order of magnitude correspond to absolute values with a ratio of 1 to 4 (33.2 and 136.0 thousand Escudos, respectively). A similar situation occurs with regard to consumption in *medical services and health*. *Transport and communications* is an item in which the consumption of the non-poor is higher than that of the poor, both in terms of the structure (16.3 per cent and 4.6 per cent, respectively) and of the absolute values (12 times higher).

The proportion of 57 per cent on food highlights the limited margin that the rural poor have for managing the remaining part of their budgets.

The comparison between the consumption patterns of the poor and the non-poor in the *urban centres* provides a picture that, in general, is similar to the one described for the rural areas (Graphs 7.8 and 7.9).

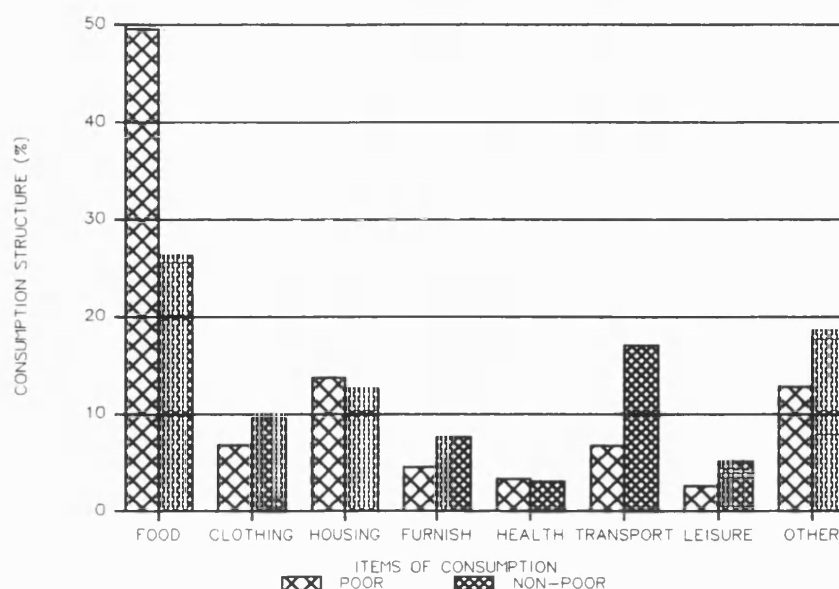
Graph 7.8

CONSUMPTION IN URBAN CENTRES - 1989



Graph 7.9

CONSUMPTION STRUCTURE IN URBAN CENTRES - 1989



7.5. Main findings

Rather than offering a description of the living conditions of the poor, the present chapter tried to analyse the links between **living conditions** and the **economic situation** of the poor. The existence of such links was one of the basic assumptions underlying the methodology used for defining the poverty line.

In the chapter on *Measurement of Poverty*, reference was made to *poverty gaps* in 1980 and 1989. From the point of view of living conditions, the height (or depth) of the gap reflects the *severity* (or *intensity*) of poverty. In 1989, the gaps ranged from values close to zero to proportions of about 90 per cent of the level of the poverty line. The consumption of about 8 per cent of the poor households was *not enough to cover food needs* and, therefore, meant some form of *hunger*; that of 20 per cent of the poor was at most 55 per cent of the poverty line; that of 40 per cent of the poor does not exceed 70 per cent (little above 2/3)

of the poverty line; and that of half of the poor households was, at most, 3/4 of the poverty line. The gap of the *poorest households* reached 85 to 90 per cent of the poverty line.

About 82 per cent of poor households had 1 or 2 income recipients. In one-income-recipient households, about 46 per cent of the recipients shared their resources with other person(s). Households with 2 income recipients had a higher proportion of cases without dependants. In the latter group, about 50 per cent consist of couples without children. Except for the one-income-recipient group, as the number of recipients increases, so does the proportion of households with dependants.

It was seen earlier that, in 1989, about 94 per cent of the poor households were headed either by retired persons (56 per cent) or by employed person with civilian profession (37.7 per cent). The large majority (76 per cent) of those who have a civilian profession had to share the incomes, and almost half of them with 2 or more persons. Among the retired persons 78 per cent did not share their income, although the proportion of those who did was also significant (22 per cent). Only 39 per cent of the *retired* lived with their income alone. The remaining 61 per cent were heads of households with 2 or more income recipients.

In what concerns poor heads of household and of non-head poor persons above 24 years of age, *social security pensions* appear as their *main source of income*. Pensions are also the main source of income of 42 per cent of non-heads poor persons above 24 years (2/3 of these persons are above 64 years and 88 per cent are inactive). On the other hand, about 1/3 of non-heads above 24 years depend on the family or other person(s) for their living. Of these, 82 per cent are *housewives*, 1 per cent *students*, 3 per cent *handicapped*, 8 per cent *working* and 4 per cent *unemployed*. Of the latter two groups, 59 per cent correspond to family

workers.

In spite of the limited number of indicators of the living conditions, it seemed of interest to verify the relation between them and the household consumption and examine how a poverty line defined in monetary terms translates actual living conditions.

Eight indicators were chosen (access to waste disposal facilities, refrigerator, deep freezer, heating, colour TV, vacuum cleaner, clothing washing machine and telephone), and an index was built with the sum of the frequencies of the "Yes" and "No" responses (respectively *one* and *zero*). The index was plotted against total consumption. Both for rural areas as well as for urban centres, *the correlation between the household total equivalent consumption and the index that represents the sum of frequencies is high*. Furthermore, two zones can be fairly well represented by linear functions, with *increasing slopes from higher to lower consumption*. Moreover, the poverty line used in this study, falls within the range with the highest slope, that is, the zone in which a given reduction in the consumption implies a sharper drop in the index.

The mentioned relation seems to support Townsend's hypothesis about the existence of a point at which the fall of the level of living with the decrease of total income suffers an acceleration. However, the limited number of the available indicators does not allow a deeper examination of this issue, in order to verify whether that point should define the poverty line.

The analysis also reveals that *the global picture of the living conditions in rural areas is lower than in urban centres*: the extreme values of the index are lower and there is a higher concentration of households at lower levels of the index.

Another aspect that is of interest concerns the *consumption structure* of the poor. The analysis of the *absolute values* of the main consumption items of the poor and the non-poor in *rural areas*, shows that the advantage of the non-poor is systematic throughout the set of items and the differences are marked in all the cases. The picture is different when we examine the *consumption structure*. The lower level of the food consumption of the poor corresponds to a markedly higher share of the total consumption when compared to that of the non-poor (57 per cent and 34 per cent, respectively). *Housing, heating and light* is another item that demands a higher proportion of total consumption in the case of the poor households. In *clothing and footwear*, percentages of the same order of magnitude correspond to absolute values with a ratio of 1 to 4. A similar situation occurs with regard to consumption in *medical services and health*. *Transport and communications* is an item in which the consumption of the non-poor is higher than that of the poor, both in terms of the structure (16 per cent and 5 per cent, respectively) and of the absolute values (12 times higher).

The proportion of 57 per cent on food highlights the limited margin that the rural poor have for managing the remaining part of their budgets.

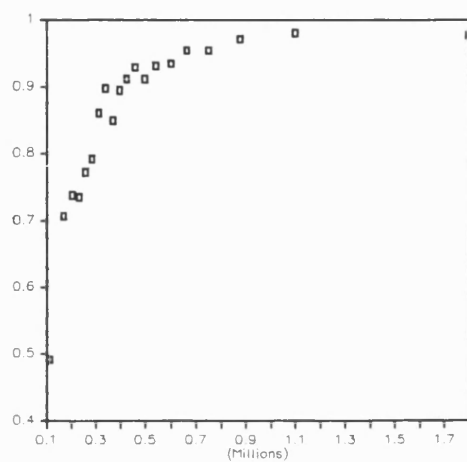
The comparison between the consumption patterns of the poor and the non-poor in the *urban centres* provides a picture that, in general, is similar to the one described for the rural areas.

Having analysed the main characteristics of the poor households, our investigation will now proceed with the aim of contributing to the explanation of poverty in Portugal.

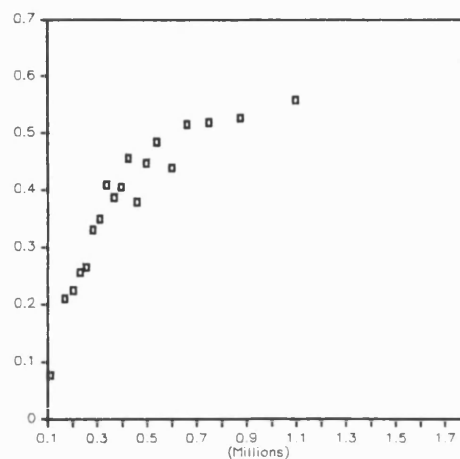
ANNEX RURAL AREAS - 1989

LIVING CONDITIONS BY EQUIVALENT CONSUMPTION

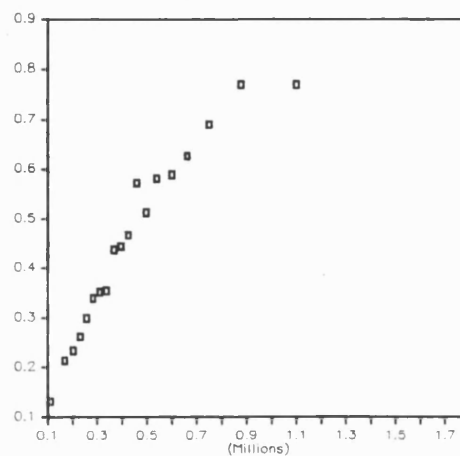
REFRIGERATOR



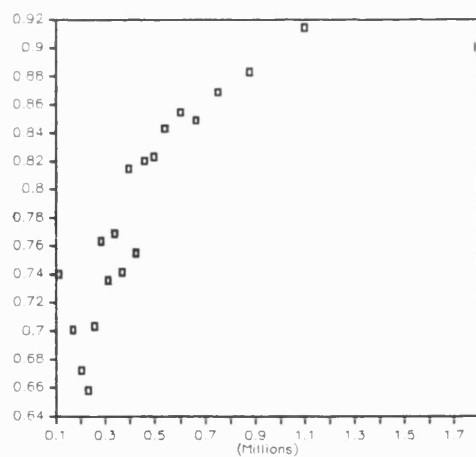
DEEP FREEZER



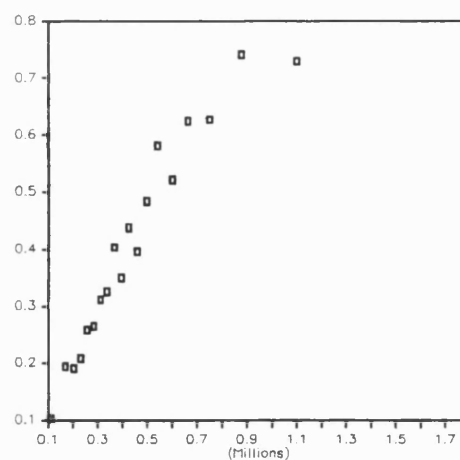
HEATING



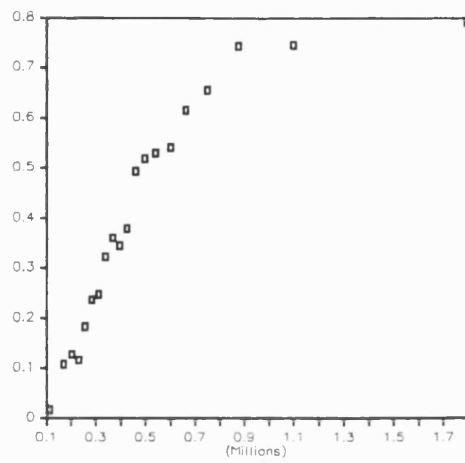
WASTE DISPOSAL



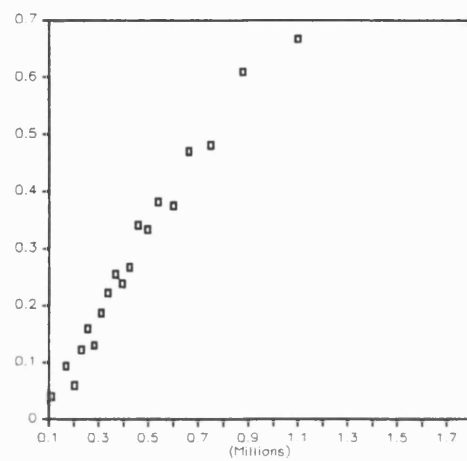
COLOUR TV



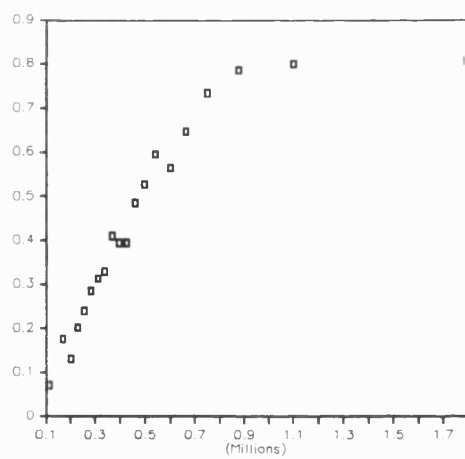
VACCLEAN



TELEPHONE



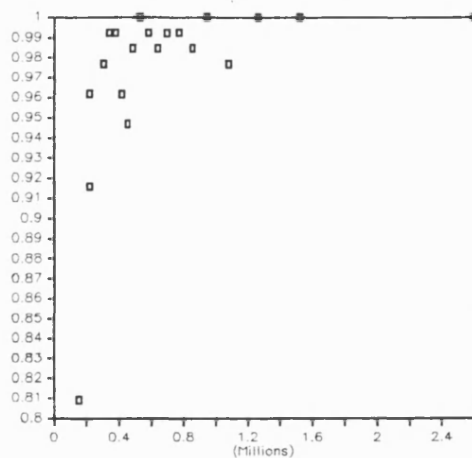
CLOTHING WASHING MACHINE



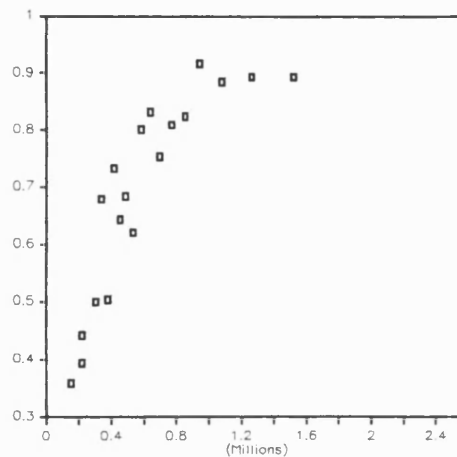
URBAN CENTRES - 1989

LIVING CONDITIONS BY EQUIVALENT CONSUMPTION

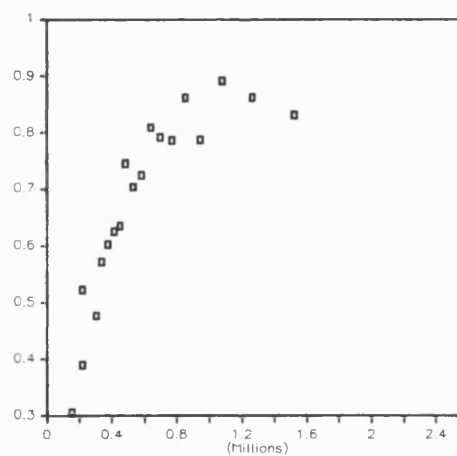
REFRIGERATOR



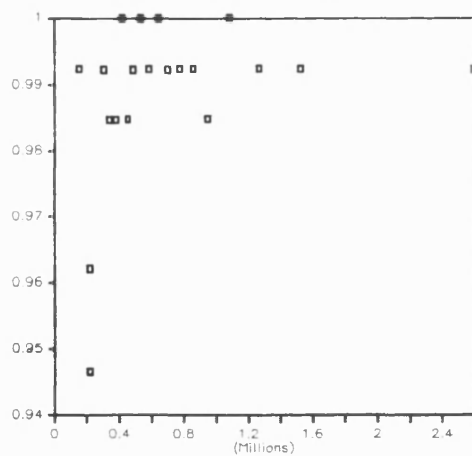
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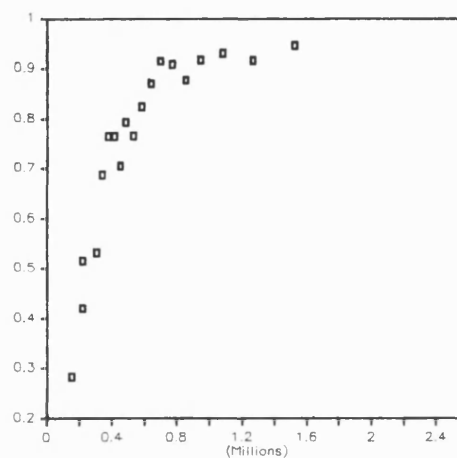
COLOUR TV



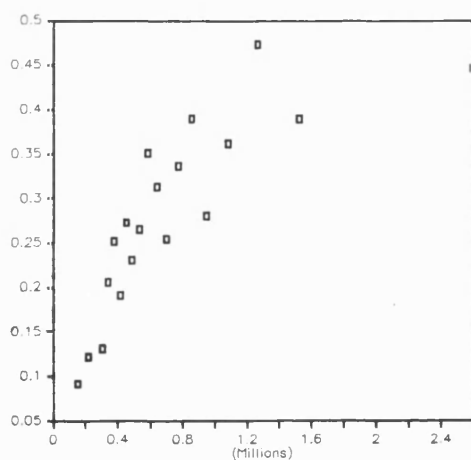
WASTE DISPOSAL



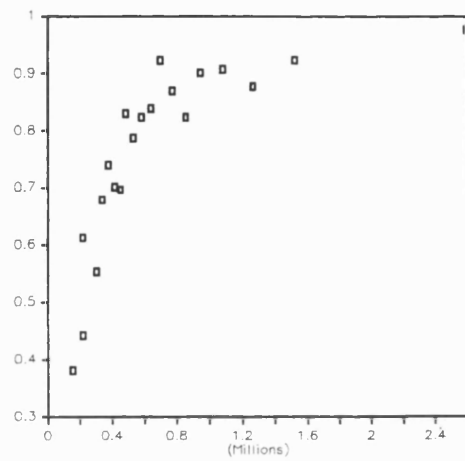
VACUUM CLEANER



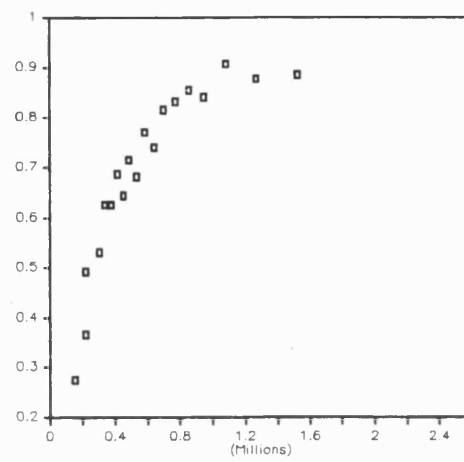
DEEP FREEZER



CLOTHING WASHING MACHINE



TELEPHONE



8. EXPLANATIONS OF POVERTY IN PORTUGAL

The search for global theories for explaining poverty has not yet produced satisfactory results.

Concluding a comment on the efforts to develop an explanation of poverty, Sawhill (1988) has a rather pessimistic remark: "From a more scientific perspective -- writes the author --, we still understand very little about the basic causes of poverty" (p.1113). This remark does not mean that no progress has been achieved in this respect. Sawhill herself reviews some of the possible explanations, mainly from the point of view of the economist, not so much for poverty itself as to the "lack of progress" in the combat against poverty in the U.S.A.. However, the author underscores a "fundamental problem" in the research on poverty: the lack of a basic structural model of the income-generating process that might allow one to integrate the diverse findings that already exist" (op.cit., p.1112).

It should be stressed that theoretical work in this area is relatively recent (see, Sahota, 1978). Nevertheless, it is also a fact that poverty, in itself, is a *complex* phenomenon. It involves factors that are economic, as well as social, cultural and behavioural in nature. No individual science can grasp all its aspects: most of the human and social sciences are called to contribute to its understanding. It has *static* as well as *dynamic* aspects and, furthermore, it is a *heterogeneous* reality. In spite of the common factors, massive poverty, say, in countries of South-East Asia is not identical to poverty that exists in rich societies of Northern Europe.

Various authors have presented surveys of the main theories of poverty, mainly from the perspectives of sociology (Townsend, 1979) and economics

(Sahota, 1978 and Sawhill, 1988). We do not reproduce them here, since we do not intend to test their adequacy in the Portuguese case. In fact, the objective of this chapter is more limited. It tries to explain poverty in Portugal, not by means of a theoretical model, but by a reflection on the characteristics of poverty and of the poor. It, therefore, draws upon the main findings of the previous chapters and investigates whether the global socio-economic situation and the changes that occurred during the 1980s throw some light on the causes of poverty and on the key-areas for anti-poverty policies. Our main concern here focuses on resources, more specifically on sources of income, and aims at identifying the areas in which changes have to occur so that poverty may be reduced.

8.1. The Portuguese economy during the 1980s

The Portuguese new democracy introduced by the Revolution of 1974 had achieved its political stability by the end of the 1970s. Elections held in the Autumn of 1979 provided a parliamentary majority to a coalition (*Democratic Alliance*) that comprised one of the major parties (the Social Democrats) and two minor parties (the Christian-Democrats and the Monarchists). The new government took office in January 1980.

At that time, the country faced a complex social and economic situation. Problems related with the world crisis that broke out in the mid 1970s and with which the majority of the European countries had to cope, were, in this case, compounded by those that followed the process of decolonisation. Among the latter, the massive migration of families from the former colonies to Portugal (about half a million persons) and the loss of the African markets were not the least. Furthermore, the expectations of, and the demand for, more social justice persisted at high levels.

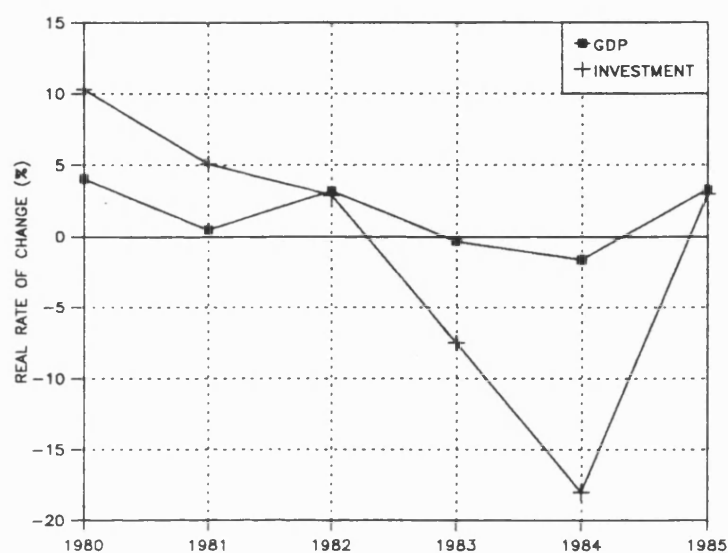
In spite of its parliamentary majority, the political consistency of the Democratic Alliance did not last long. The dramatic death of its strong and charismatic leader and prime-minister, in an air crash, in December 1980, gave rise to internal uncertainties within the leading party. Thus, the last two of the three years of rule of the Alliance were considerably unstable and undefined. The situation ultimately led to the dissolution of the Parliament and the announcement of advanced elections, held in April 1983.

As a result of the uncertain context between 1980 and 1982, the relevant economic indicators reveal a general short-term deterioration, characterised by a sharp fall of growth rates and decreasing gross investment rates (Graph 8.1), loss of purchasing power of wages and high unemployment rates (Graph 8.2), a decreasing trend of private consumption and a sharp increase in the inflation rate (Graph 8.3). Moreover, both the deficit of the current external balance as well as the external debt rose at much higher rates than the GDP.

Graph 8.1

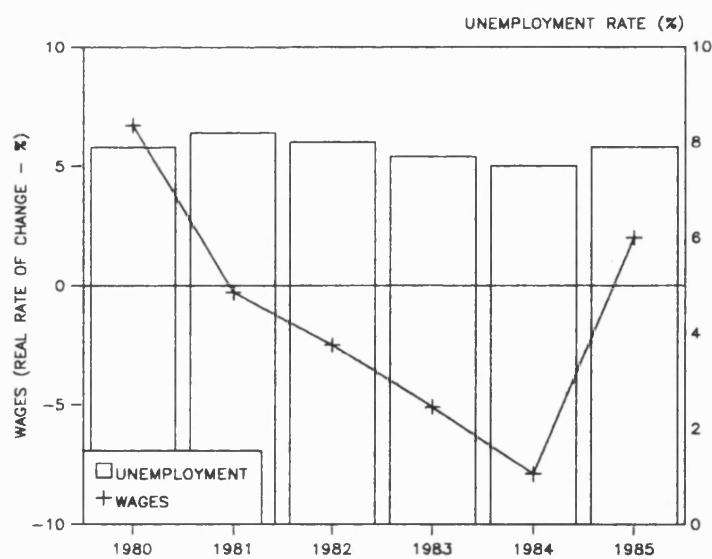
ECONOMIC GROWTH AND GROSS INVESTMENT RATE (1980-1984)

Source: Silva, M., 1991.

Graph 8.2

UNEMPLOYMENT RATE AND REAL WAGES - 1980-1984

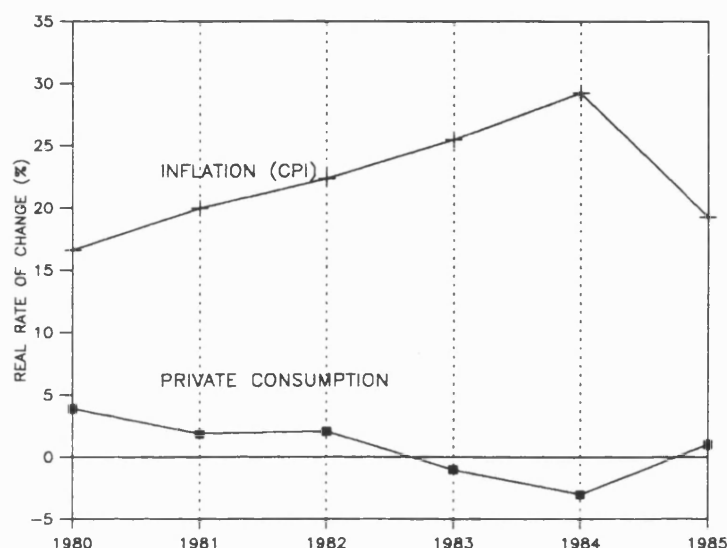
Source: Silva, M., 1991.



Graph 8.3

PRIVATE CONSUMPTION AND INFLATION RATE (1980-1984)

Source: Silva, M., 1991.



At the elections (April 1983), the other major party (the Socialists) got the highest number of votes, but not the majority of parliamentary seats. This time, the two major parties (the Socialists and the Social Democrats) established an agreement for a joint government led by the Socialists. The coalition, commonly known as the *Central Bloc*, took office in June 1983.

The new government attached the highest priority to the following short-term objectives, compatible with the IMF adjustment programme (1983): reduction of the deficit of the current balance, of the external debt and of the public debt, as well as of the inflation rate.

The strategy adopted was based mainly on the drastic reduction of consumption and imports. This policy, presented as the necessary price of the past policies and of future benefits, lasted for about two and a half years. As a result,

the external deficit dropped sharply and the inflation rate fell by more than 6 percentage points (a rise of 4 percentage points in 1984 was followed by a drop of 10 points in 1985). However, economic growth rates and changes in real wages, gross investment and private consumption were negative during the first two years; and the external debt increased throughout the period. The years of 1983 and 1984 were a period of typical *stagflation*, with high and rising inflation rates and negative economic growth.

In the meanwhile, non-permanent job contracts covered around 1/2 million workers in 1983 (17.6 per cent of the contracts). Unemployment remained almost unchanged between 7.5 and 7.9 per cent and, in June 1985, only 25 per cent of officially registered unemployed persons received the unemployment subsidy. Dismissals, bankruptcies and closure of firms threatened the sectors in crisis such as the naval construction and repair and sea transport, among others (Lima, 1991, p.917).

In 1984, the government set up the consultative *Permanent Council of Social Agreement*, comprising the government, trade unions and employers associations, for matters related with labour.

The over-emphasis on the correction, or reduction, of the mentioned unbalances left little or no space for issues of *social policy*. The state of the nation, it was said, claimed urgent and major short-term economic surgery, predictably painful for the poor, but unquestionably necessary for the survival of the nation and for providing the ground for future medium-term policies concerned with inequality and social exclusion. In this understanding, a medium-term economic programme was being drafted by the government.

The combined analysis of the two periods seems sufficient to infer that the living conditions of the large majority of the population deteriorated during the

first half of the 1980s. In particular, it seems legitimate to hypothesize that, during that period, poverty increased both in extension as well as in intensity.

Indeed, it was in 1985 that the concern about "new poverty" and the "new poor" achieved its climax and gained a political dimension, mainly in the face of the crisis in the depressed areas, among which the industrial region of Setubal appeared as the most alarming and gave rise to a generalised movement of local active solidarity promoted by the local Church, finally followed by a specific "programme of integrated development" launched by the government.

Furthermore, a new social phenomenon appeared and grew during this period: cumulative delays in the total or partial payment of wages. In mid 1983, about 100 000 workers were in this situation. Yet, they continued to work, presumably due to the fact that leaving their jobs meant a high risk of unemployment.

In the meantime, the Social Democrats (one of the parties of the coalition) held their party elections. The newly elected leader soon prescribed, and succeeded in getting, the dissolution of the coalition and advanced elections, held in October 1985. This time, the Social Democrats emerged as the party with the highest number of votes, yet without a parliamentary majority. Nevertheless, they accepted the task of setting up a minority government, that took office in early November 1985.

By then, the international context had changed in a favourable direction, the "shock treatment" implemented by the previous government had restored the most relevant macro-equilibriums and, last but not least, Portugal had formally joined the European Community in June 1985. These factors enabled the new government to adopt a more growth-oriented economic policy, implement some social measures and develop a set of improvements financially supported by the

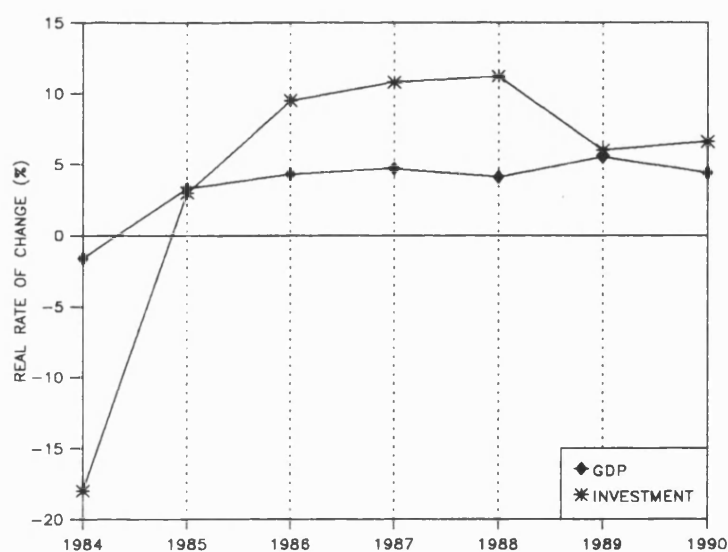
European structural funds, namely in the fields of infrastructures, professional training, local job creation initiatives, agriculture, industrial restructuring and regional programmes.

During the first two years (1986-1987, still without the parliamentary majority), the inflation rate dropped drastically by almost 10 percentage points (from 19.3 per cent in 1985 to 9.4 in 1987), together with GDP growth rates above 4 per cent and higher growth rates of private consumption and gross investment (Graphs 8.4 and 8.5). The positive value of the current balance improved in 1986 but fell in the next to the level of 1985, while the reduction of the external debt was practically negligible (Graphs 8.6 and 8.7).

Graph 8.4

GDP AND INVESTMENT IN 1984-1990

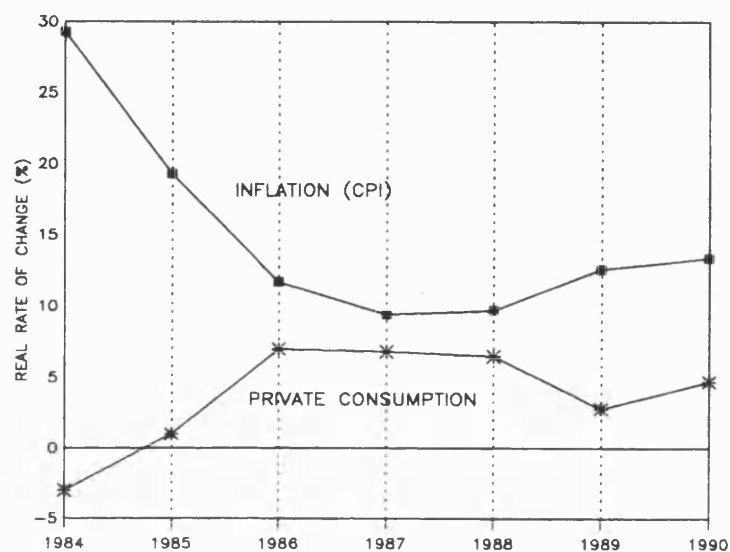
Sources: Silva, M., 1991 and Banco de Portugal, 1991.



Graph 8.5

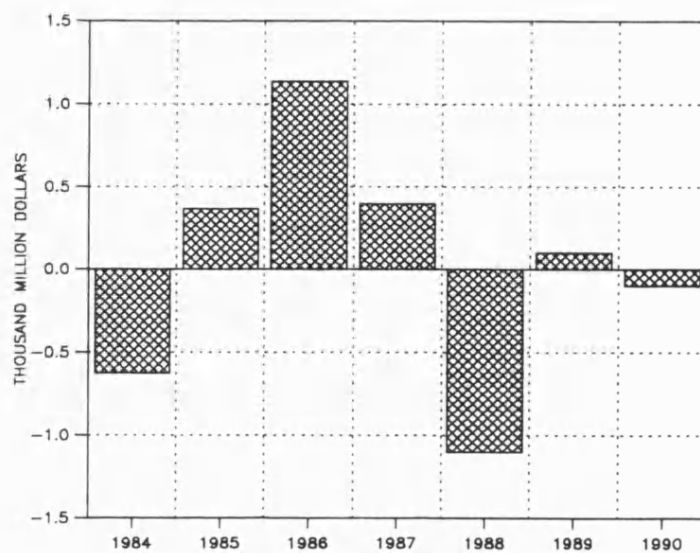
PRIVATE CONSUMPTION AND INFLATION RATE
(1984-1990)

Sources: Silva, M., 1991 and Banco de Portugal, 1991.

Graph 8.6

CURRENT BALANCE

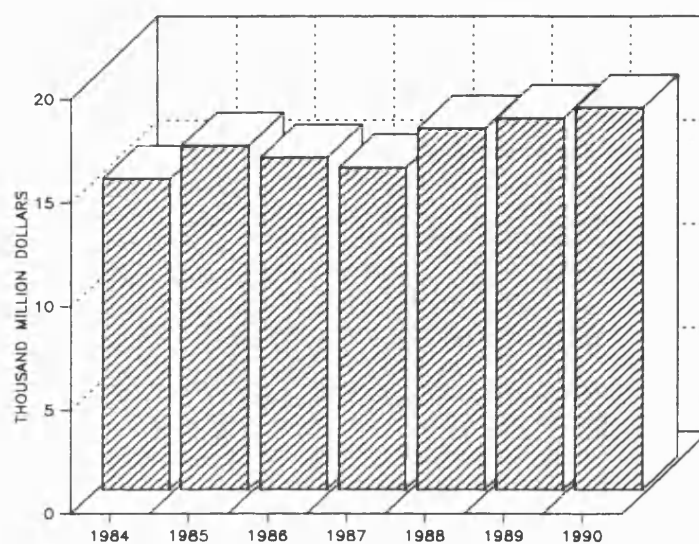
Sources: Silva, M., 1991 and Banco de Portugal, 1991.



Graph 8.7

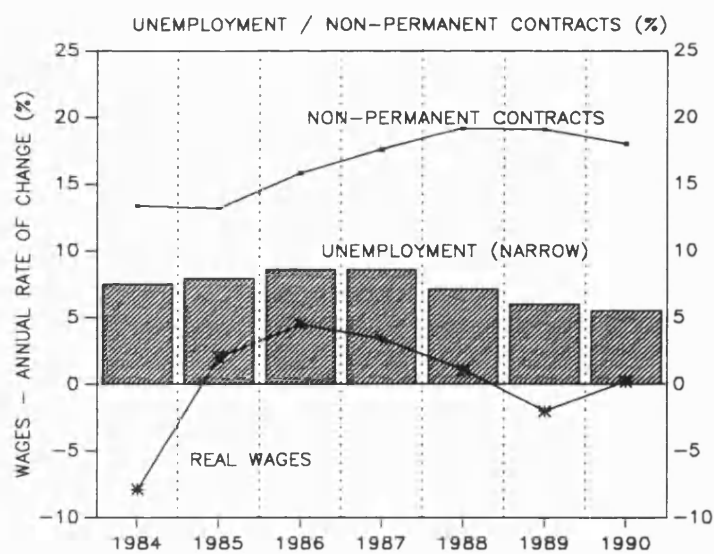
EXTERNAL DEBT

Sources: Silva, M., 1991 and Banco de Portugal, 1991.

Graph 8.8

SOME SOCIAL INDICATORS 1984-1990

Sources: Silva, M., 1991; Banco de Portugal, 1991 and Lima 1991.



In the same period, the real average wage initially rose and then fell to the level of 1985, and the three minimum wages -- in agriculture, in industry and services and in domestic services -- improved in real terms. At the same time, however, unemployment rose by 0.7 percentage points, and the percentage of non-permanent contracts increased by more than 4 percentage points, from 13.2 percent to 17.6 per cent (following a drop of equal magnitude between 1983 and 1985) (Graph 8.8).

In achieving a parliamentary majority in the elections of 1987 -- the first single-party majority in the new Portuguese democracy -- the party in power (the Social Democrats) gathered the conditions of political stability, thus enhancing its possibilities of an "impressive" socio-economic performance. However, the changes were positive in some aspects but not so successful in others. Economic growth persisted at rates above 4 per cent throughout the remaining years of the decade. Together with Luxembourg and Spain, Portugal had the highest average growth rate in the period of 1985-1989 and the change in productivity was the highest in the Community in 1984-1989⁴⁶ (CEC, 1991, pp.26 and 29). On the other hand, the unemployment rate decreased from 8.6 per cent in 1987 to 5.5 per cent in 1990. However, the growth rate of private consumption, though positive in the period, presents a tendency to slow down, as is also the case of gross investment. On the contrary, the decreasing trend of inflation until 1987 changed its course towards an upward trend. Coincidentally, real wages dropped from 1987 onwards, with some recovery in 1990 (Graphs 8.4 to 8.8).

46. The correct interpretation of this comparative performance has to take account of the gap in the absolute values of those indicators.

8.2. The most vulnerable groups

It should be recalled that the two surveys that provided the data for the empirical part of this study were conducted in 1980-1981 and 1989-1990. To be more precise, the surveys covered, in each case, mainly the first of the two years mentioned. Thus, the relation between the performance of the economy and the findings of the analysis of poverty presented in the previous chapters will be sought for the reference years of *1980* and *1989*.

In order to try to identify the causes of poverty in Portugal, we will follow the method of analysing the relation between the sources of income of the most vulnerable groups and the main social sub-systems of the society (the household, the labour market, the social security system, etc.).

In the beginning of the previous chapter, we saw the distribution of poor households and the incidence of poverty by the *size* of households in 1989. It was then stressed that when the distribution is referred to the number of persons (and not to the number of households), the two groups that are highly ranked with regard both to the poverty *incidence* as well as to the quantitative *weight* were the *2-person households* and the *households with 6 or more persons*. *Single persons* appeared as highly vulnerable (in terms of incidence), but not very expressive in quantitative terms. These three groups make up *50 per cent of the poor persons* and *62 per cent of the poor households*.

These three most highly vulnerable groups present quite different characteristics concerning the *age* of the head of household: in the *small-size households* (1 and 2 persons), over *90 per cent* of the heads are *above 54 years of age*, while in the larger households (6 and more persons), heads of that age-group represent only about *37 per cent*. Among the poor, therefore, larger households are younger than the smaller households.

Naturally, the mentioned age-groups are reflected in the *occupational status* of the *heads of households*: to consider only the two main categories -- employed and pensioners --, the percentage of *pensioners* is of *87 per cent* among *single persons*, *77 per cent* among the heads of *2-person households* and *25 per cent* among heads of households with *6 or more persons*. On the contrary, among the latter *65 per cent* of the heads of household are *employed* (Table 8.1).

It is clear, therefore, that the most vulnerable households depend on two

Table 8.1

POOR HOUSEHOLDS OF
1, 2 AND 6 AND MORE PERSONS (1989)

	Single 2 person persons		6+ persons
	-----	-----	-----
Below 55 years	4.4	7.4	62.7
55 years and above	95.6	92.6	37.3
Employed	9.0	20.5	65.2
Pensioners	86.7	76.8	24.8
Other	4.3	2.7	10.0

different sources of income: predominance of *wages* in the case of the of larger households and of *pensions* in the case of the smaller families (although the relevance of the second source should not be underestimated in any of the two cases).

Mainly in the case of the households with *6 and more persons*, it is interesting to investigate to what extent the low equivalent income is due to the number of dependent persons in the household. The further breakdown of this group raises the problem of statistical meaning of the findings, given the limited number of cases. Nevertheless, it may broadly be seen that the number of dependants is not the main cause of poverty. Indeed, in about 2/3 of the cases, the

number of *dependants* is, *at most*, equal to the number of *income recipients*.

Table 8.2 shows the distribution of the heads of poor households by socio-economic category in 1980 and 1989. It may be seen that the two main sources of income mentioned above with respect to the most vulnerable groups -- wages and pensions -- are the main sources of income of the heads of poor households in general. Some other aspects shown in the table should also be stressed. Firstly,

Table 8.2

DISTRIBUTION OF HEADS OF POOR HOUSEHOLDS
BY OCCUPATIONAL SITUATION

Professional situation	1980	1989
Employed with civilian profession	52.1	37.7
Member of Armed Forces	0.1	0.6
Unemployed, 1st. job	(a)	(a)
Unemployed, new job	0.6	1.7
Housewife	3.1	2.8
Retired	41.0	56.1
Disabled	1.6	0.9
Other	1.5	0.3
TOTAL	100	100

(a) Less than 1 per cent.

the fact that, in both those years, the two largest groups (the retired and the employed with civilian profession) represent about 94 per cent of the poor households. We will, therefore, concentrate the analysis on these groups, examining them separately, since poverty among the active population is more directly related with the labour market whilst among the inactive it is associated with the social security system (though also influenced by the wage records of the economically active life period).

Secondly, the changes that occurred during the 1980s led to an exchange of the relative weights of those two groups. This is a consequence, on the one

hand, of changes in the distribution of the heads of all households (poor and non-poor) by socio-economic category (the share of the economically active dropped from 68 per cent in 1980 to 63 per cent in 1989, while that of the inactive increased from 32 per cent to 37 per cent) and, on the other hand, of the fact that the incidence of poverty among households headed by active persons dropped more sharply than among households headed by inactive persons (by 5 and 2 percentage points, respectively).

Thirdly, the weight of the unemployed among the heads of poor households increased almost three times. Nonetheless, it is lower than 2 per cent. This fact is explained by the general behaviour of the unemployment rate, that was mentioned above and will be further discussed when the labour market is analysed.

As mentioned in the previous chapter (Table 6.9), among the *economically active heads households*, the most vulnerable to poverty in 1989 were those that worked in Agriculture: employers, among whom more than 1/4 are poor, and employees, 1/3 of which are poor. However, the largest group was made up of employees in Industry (35 per cent of the poor households headed by economically active person). The other two groups with relatively high shares were the employers in non-agricultural activities and employees in Commerce.

In the following sections, each of the relevant groups is analysed with the objective of explaining their poverty. Firstly, the situation of the *economically active* householders will be examined, beginning with those that are linked to the agricultural sector.

Among the active poor householders in 1989, those linked to Agriculture (farmers and employees) made up 30 per cent of the poor households; the non-agricultural employers represented 13.8 per cent; the shares of the employees in

Industry and in Commerce were of 35.0 and 12.8 per cent, respectively; and the remaining totalled about 8 per cent.

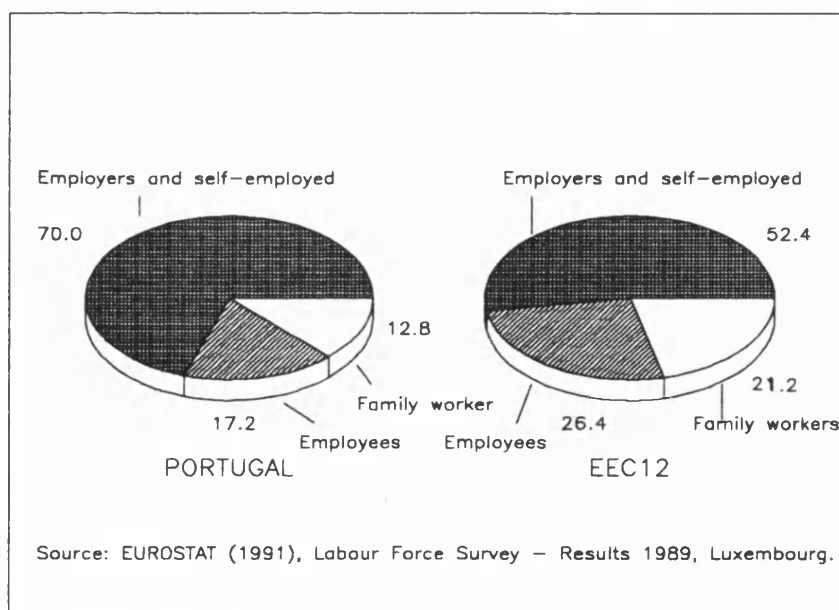
Finally, the situation of the *pensioners* will be analysed with reference to the social security system.

8.2.1. Poor householders working in agriculture

The distribution of persons employed in agriculture by occupational status, in 1989, shows that the large majority (70 per cent) was made up of *employers*

Graph 8.9

EMPLOYED IN AGRICULTURE BY PROFESSIONAL STATUS - 1989



and *self-employed* (Graph 8.9). *Employees* represented 17.2 per cent of the employed and *family_workers* the remaining 12.8 per cent. When compared with the average distribution in the European Community (shown in the same graph), the Portuguese situation reveals a much larger proportion of employers and self-employed and smaller proportions of the other two groups.

Households headed by persons working in Agriculture made up 50 per cent of poor households in 1980 and 30 per cent in 1989. The decrease in the proportion is considerable, but its meaning is not evident. Indeed, the drop actually means improvement in the case of the employers, among whom the incidence of poverty fell from 35.3 per cent to 25.6 per cent, during the decade. In spite of this improvement, by almost 10 percentage points, more than 1/4 of the category was still in poverty in 1989. In the case of the employees, however, the incidence actually increased (from 30.4 per cent in 1980 to 31.2 per cent in 1989), and in the late 1980s almost 1/3 of the group was still in poverty.

The present situation of Portuguese agriculture has roots in the distant past. Indeed, the current "technologically stagnated and structurally distorted" situation can only be understood if one takes account of the trends that come from the early 1950s (Pinto et. al., 1984, p.13). The following paragraphs try to characterize the main trends since then, not with the view of providing a comprehensive picture of the sector but mainly stressing those aspects that seem of interest to illuminate the problem that concerns us here -- their relation with poverty.⁴⁷

In the early 1950s, the agricultural sector contributed more than 30 per cent of GDP and more than 40 per cent of the total active population. It was based on traditional methods of production, alien to technological change, and offered low compensation to the factors of production. However, it succeeded in responding to the food needs of the population, at the time mainly rural, with low purchasing power and traditional habits.

It was still in the early 1950s that a process of economic growth was

47. The following paragraphs, about the agricultural policy during the last decades, are heavily indebted to Aviliez, 1986; Aviliez, 1991 and Pinto et al., 1984.

launched in Portugal. The growth model was based on industry and, among other aspects, on a policy of low wages associated with low prices of food commodities. Thus, the main role of Agriculture consisted in supporting Industry, supplying the domestic market with traditional goods at cheap prices. The price constraints imposed by the policy adopted varied according to the items, ranging from total control (in the case of cereals and oil) and partial control (for meat, wine and potatoes) to the free market prices (for fruits and legumes).

As a result, between 1953 and 1963, the prices of the agricultural products that had greater influence in the formation of wages rose less than the general level of prices. Furthermore, agricultural supply responded satisfactorily to demand, which, it should be noted, showed a slow increase and a traditional consumption pattern that did not change during that period. However, the cost of that policy was that there was no stimulus for investment in the sector and, as a consequence, the surplus generated tended to be transferred to other sectors. In particular, the gap between the incomes per active person in the agricultural and the non-agricultural sectors increased.

Thus, the main features of agricultural sector in the mid 1960s were not basically different from those that it presented in the post-war period.

During the period that goes from the mid-1960s to the mid-1970s the growth model was consolidated. Growth would still be based on Industry, now with a clear capital intensive modern sector, oriented firstly towards non-basic goods and services, inspired by the consumer models that prevailed in the richer countries of Europe, and secondly towards exports. The development of the domestic market was, therefore, ignored. At the same time, the vulnerability in relation to the external factors increased along three lines: the export sector, emigration (as solution to structural unemployment) and, to a lesser extent, the development of tourism.

In the meantime, the basis of the growth model that had been adopted began to demand changes: the exodus of the labour force began to push up wages; the integration of the economy into larger economic spaces questioned the protectionism that had benefited the industry during the 1950s; and the export of goods as well as of the labour force began to encounter difficulties on the eve of the world crisis of the mid-1970s. As no new role had been assigned to agriculture, there appeared signs of a rupture between this sector and the growth model.

Price stability, that had been one of the pillars of the model, was no longer feasible and was replaced by a complex inflationary process. The growth of GDP, together with the remittances by emigrants, the resources of tourism and the rising military expenditures (the colonial wars had broken out in the early 1960s) gave rise to an increasing demand, mainly for food, to which the agricultural sector was incapable of responding. Hence the inflationary process and the disequilibrium in the trade balance due to the rise of imports. The problem was not only in the quantity of food but also in the changing patterns of the food habits of the population.

Since the early 1960s, in the majority of cases, the level of prices of agricultural products was maintained mainly by the following types of policies: guaranteed prices, quantitative restrictions on imports and subsidies to intermediate factors. In general, these policies did not contribute to the necessary technological and structural changes and consequently to the growth of agricultural product and productivity (Avillez).

Always with a marginal status, the agricultural sector preserved its traditional production systems, presented high rates of illiteracy, lacked training programmes for managers and technical staff, and investment.

The 1960s and the early 1970s were marked by what has been called a "rural exodus", towards the urban centres and other countries. Between 1963 and 1973, about 400 000 active persons (1/3 of the active population), mainly from the younger age groups, abandoned the rural areas. This exodus and the resulting improvement in the productivity reflected stagnation and not modernisation or rationalisation of the agricultural sector (Pinto et al., 1984).

The Revolution of April 1974 brought about major political and institutional changes that were coincidental with the world economic crisis.

In what concerns Agriculture, the following aspects are relevant: policy of income redistribution, with bearing on the food demand; massive population movements from the former colonies, with the consequential increase in the food demand as well in the active population in Agriculture; loss of colonial markets; deep changes in the agricultural firm structure, due to an intensive activity of political and social groups and parties. On the other hand, the world crisis brought about additional problems, namely: sharp rise of the world prices, with negative effects on the agricultural trade balance; and barriers to emigration raised by the European countries that were traditionally sought by the Portuguese workers (Ibidem).

In the second half of the 1970s, the agricultural incomes in Portugal depended almost exclusively upon changes in prices and only marginally on productivity gains (in turn mainly a result of the decrease of the active population in the sector).

On the other hand, the credit policy followed during the years that preceded the entry to the European Community benefited mainly the production units that already presented higher technical and economic feasibility and,

therefore, were less in need of a specific credit policy (Avillez, 1991).

With a few and not very effective exceptions, most of the policies implemented since 1974 had a short-term perspective. Thus, the most important bottle-necks persisted, the sectoral crisis deepened, "so as to place Portuguese agriculture in the threshold of the 1980s as an important brake of the overall socio-economic development" (Ibidem, p.43). In 1980, the income per active person in agriculture was 3.4 times lower than that of the non-agricultural sectors (Ibidem, p.50).

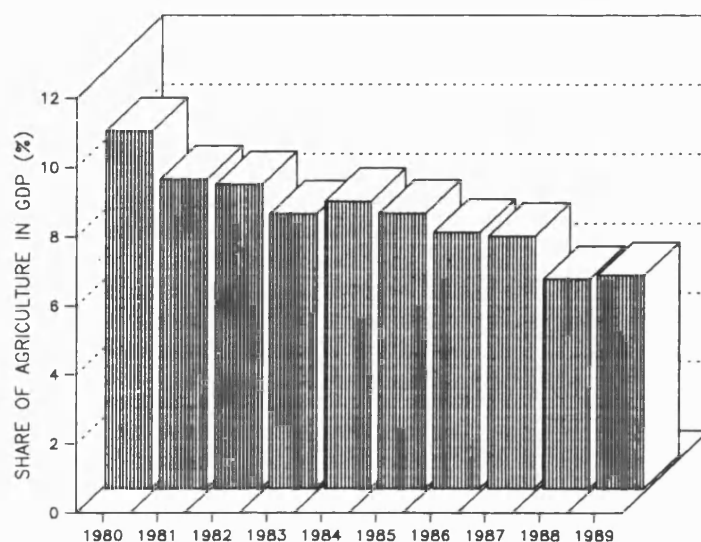
It is not surprising, therefore, that in 1980, about 1/3 of the active population working in agriculture was poor. That percentage includes farmers as well as employees. Among the former, as already mentioned, the incidence of poverty fell during the 1980s by almost 10 percentage points, while among the employees it rose by almost 1 point. To understand the situation in 1989, it is necessary to examine the performance of the sector during the 1980s.

The value added in the sector as percentage of GDP shows a regular decrease during the 1980s, revealing a progressive loss of weight of the sector in the Portuguese economy (Graph 8.10).

Graph 8.10

GVA IN AGRICULTURE AS PERCENTAGE OF GDP

Source: DCP, 1990.



In the early 1980s, the systems and units of agricultural production in Portugal could be grouped into three categories (Avillez, 1991). About 75 per cent of the units of Mainland Portugal could be qualified as "social" and were characterised by a extremely small physical and economic size, intensive utilisation systems, traditional technologies of production and incapability to provide equitable incomes to the farmers. About 22 per cent of the units may be considered as *potentially viable*. These units are of medium economic size, utilise relatively developed technologies and generate incomes that are clearly higher than the sectoral average, though lower than in the other economic sectors. Finally, the third category, comprising only 1 per cent of the units, is based on more capital intensive systems of production and generate a level of income per active person higher than the average of the remaining sectors of the economy.

Until the mid-1980s, the main features of the agricultural prices and markets system did not undergo any major change and were guided by the following two objectives: i) providing the farmers with guaranteed prices for

products and for factors that were deemed to foster production; ii) access of consumers to food at prices compatible with lower incomes. These objectives were pursued through a system of subsidies to production and to consumption and by a tight control of the commercialisation structures, with an increasing burden on the government budget.

This complex policy underwent a deep change in 1983, namely with the aim of reducing the government deficit, in the direction of reducing the subsidies to the factors of production and to the consumer and increasing the guaranteed prices of agricultural products to take account of the upward changes in the costs of production.

Since Portugal joined the European Community (in 1985/86), the agricultural sector has been subject to a set of factors and norms that explain the sectoral behaviour during the second half of the 1980s. In what concerns the impacts that are of interest to this study, it seems that the balance of the post-entry period may be characterised by a fall in the incomes of the Portuguese farmers in general and of the small farmers in particular, and by a sharp increase in the agricultural investment which tends to confirm the inequalities presented by the past trends. Moreover, the inequalities within the Community have been increasing as well.

What has just been said about the fall of the incomes of farmers may seem contradicted by the fact that the incidence of poverty in this group fell by almost 10 percentage points during the 1980s. It should be noted, therefore, that the proportion of farmers heads of households in relation to the total number of households (poor and non-poor) dropped from about 14 per cent in 1980 to less than half (6.4 per cent) in 1989. This may mean that the part of the farmers that were more vulnerable in 1980 had left the occupation by 1989, towards other economic sectors, or had retired. On the other hand, the time lag between the

implementation of those policies and their effects on the incomes of the farmers may have made these effects more clear only beyond 1989.

The following table (Table 8.3) shows the weight of the agricultural sector in terms of the shares in the value added and in human resources.

The first striking aspect is that, around 1988, the real value added per annual unit of labour in Portugal was less than 30 per cent of the average value of the Community, in terms of *purchasing power standard*. This indicator seems sufficiently eloquent about the notorious lag that characterises Portuguese agriculture in relation to the other Community member-States. On the other hand, in 1989, Portugal still had 18.7 per cent

Table 8.3

**SOME INDICATORS OF THE WEIGHT OF AGRICULTURE
IN THE ECONOMY**

=====			
Real value added per annual unit of			
labour in PPS (Average 1987-1989): Portugal	29.2		
EUR12	100		

	1980	1985	1989
Man-power in agriculture as			
percentage of total man-power: Portugal	28.0	23.5	18.7
EUR12	9.4	8.3	6.8
Share in Net Domestic Product at			
factor prices: Portugal	7.8	6.7	5.0
EUR12	3.6	3.2	2.9
=====			
Source: EUROSTAT, 1991b, pp.66 and 83.			

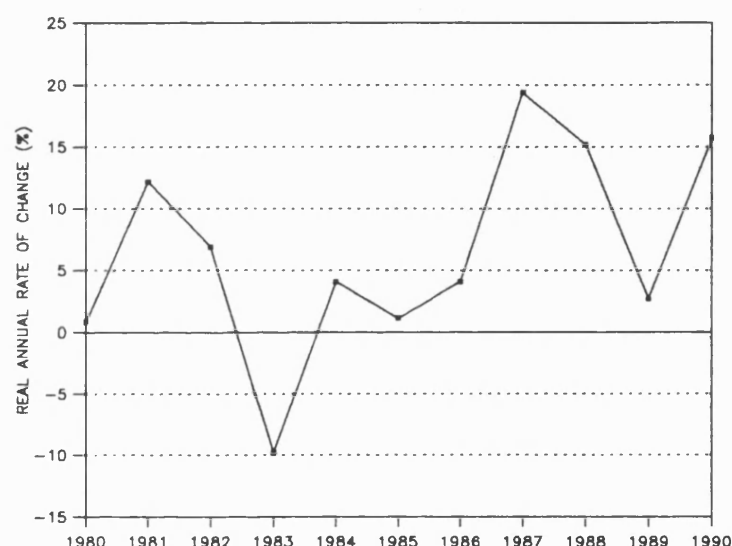
of its labour force in agriculture (against 6.8 per cent as the Community average) and the share of the agricultural sector in the NDP was of 5 per cent (against 2.9 as the Community average).

Furthermore, the trend of the imports of food and agricultural goods during the decade shows a sharp acceleration after 1983, excepting the year of 1989 (Graph 8.11). The rate of 15.7 per cent in 1990, following that of 2.7 in the previous year is considered as related with "the re-establishment of *stocks*, the fall of the internal supply and the fact that the imported goods have presented

Graph 8.11

IMPORTS OF FOOD AND AGRICULTURAL GOODS

Sources: DCP, 1989; DCP, 1990 and Banco de Portugal, 1991.



price changes that are much more favourable than those of alimentary goods of national production" (Banco de Portugal, 1991, p.122).

Table 8.4 shows the crosstabulation of the number of income recipients by the number of dependants in the poor households headed by farmers (1989). It may be seen that almost 1/3 (30.4 per cent) of the households have no dependants, and that 75 per cent of these households have 2 or more income recipients. In the opposite extreme, about 75 per cent of the single recipients had to share their income with at least one more person, but 63 per cent with no more

than 2 other persons. The table also reveals that, in general, the proportion of households in which the number of dependants equals or exceeds that of income

Table 8.4

POOR HOUSEHOLDS HEADED BY FARMERS - NUMBER OF
INCOME RECIPIENTS BY NUMBER OF DEPENDANTS

DEPENDANTS -->		Percentage						
		0	1	2	3	4+		
INCOME	--							
RECI- 1		24.8	26.6	11.9	30.3	6.4	100	39.5
PIENTS	--							
2		43.1	29.4	19.3	5.5	2.8	100	39.5
3		13.2	42.1	10.5	18.4	15.8	100	13.8
4+		25.0	15.0	40.0	10.0	10.0	100	7.2
Percent.		30.4	29.0	16.7	17.4	6.5	100	100

recipients decreases as the latter increases, which seems to indicate that, also in this case, poverty is more a result of low incomes than of the size of the household.

8.2.2. Poor employers in non-agricultural sectors

The lack of adequate data renders it extremely difficult to relate the situation of the poor *employers in non-agricultural sectors* with the changes in the macroeconomic indicators. Nevertheless, their distribution by the different activity branches (Table 8.5) seems to indicate that these employers owned small scale firms and/or worked in an uncertain context of demand, namely in construction, retail commerce and personal domestic services⁴⁸.

48. The size of the firm would be an elucidating indicator. Unfortunately, however, the survey has no information on this aspect.

Table 8.5

HEADS OF POOR HOUSEHOLDS THAT ARE EMPLOYERS IN
NON-AGRICULTURAL SECTORS - DISTRIBUTION BY
ACTIVITY BRANCHES (1989)

Branches	(%)
Textile and leather	4.2
Wood and cork (1)	5.1
Construction and public works	29.7
Retail commerce	26.3
Restaurants and hotels	5.9
"Other" collective services	4.2
Personal domestic services	11.9
Other	12.7
Total	100

(1) Includes non-metallic furniture.

The average size of poor households headed by employers seems to be comparatively large: more than half of the households had 4 or more members; the proportion of single persons was of about 6 per cent and 2 person households represented 23 per cent of the total. The latter households consisted practically of 2 adults (1.7 equivalent adults, by the OECD equivalence scale).

8.2.3. Poor employees

Employees are the other large category of the economically active heads of poor families. Their distribution by sectors is as follows: 19.5 per cent were employed in *agriculture*, 58.9 per cent in *industry* and the remaining 21.5 per cent in *commerce*.

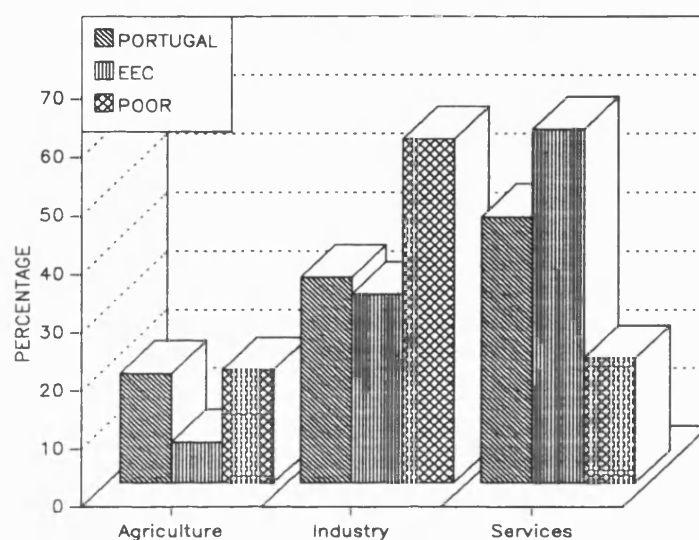
Graph 8.12 represents the distribution of the civilian employment by the main economic sectors in Portugal and in the EEC (average), as well as the

distribution of the heads of poor households, all in 1989. The proportion of employment in agriculture in Portugal was still much higher

Graph 8.12

CIVILIAN EMPLOYMENT BY ECONOMIC SECTORS (1989)

Sources: For EEC, EUROSTAT, 1991c; for POOR, FBS/89.



than the Community average, while the share of the services was much lower than the Community average. In what concerns the employees that headed poor households, it may be seen that the highest share belonged to the manufacturing industry, followed by services and agriculture, both at clearly lower proportions.

In the sectoral distribution of *employees*, in particular, the pattern of distribution of those that headed poor households was markedly different from that of the employees in general (Graph 8.13). While the percentage of employees in agriculture was low, as was also the case with the average situation in the European Community, Portugal presented proportions that are comparatively higher in industry and lower in services.

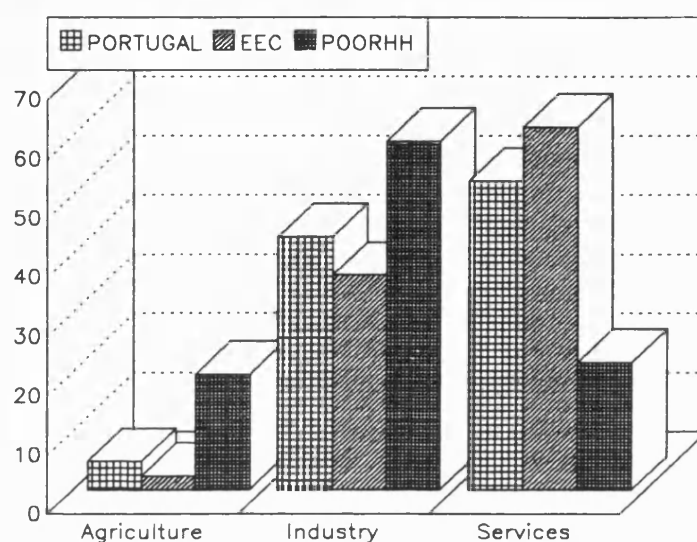
On the other hand, when the distribution of the heads of poor households

is compared with the general distribution of employees in Portugal, it becomes

Graph 8.13

SECTORAL DISTRIBUTION OF EMPLOYEES - 1989

Source: For EEC, EUROSTAT, 1991c; for POORHH HBS/89.



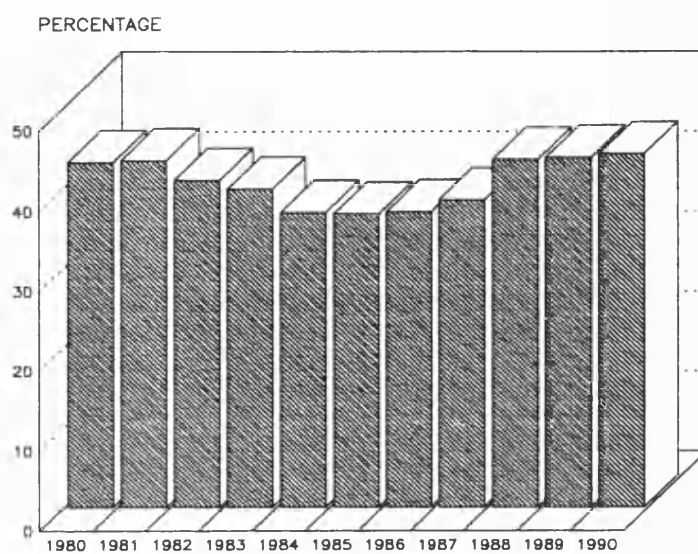
clear that the proportion of poor employees in agriculture and in industry are much higher than in the average distribution, thus reflecting the higher degree of vulnerability of these groups.

Before examining in detail the specific features of this group of heads of poor households, it is worthwhile analysing the effects of the economic and social policies implemented during the 1980s on some aspects of the labour market.

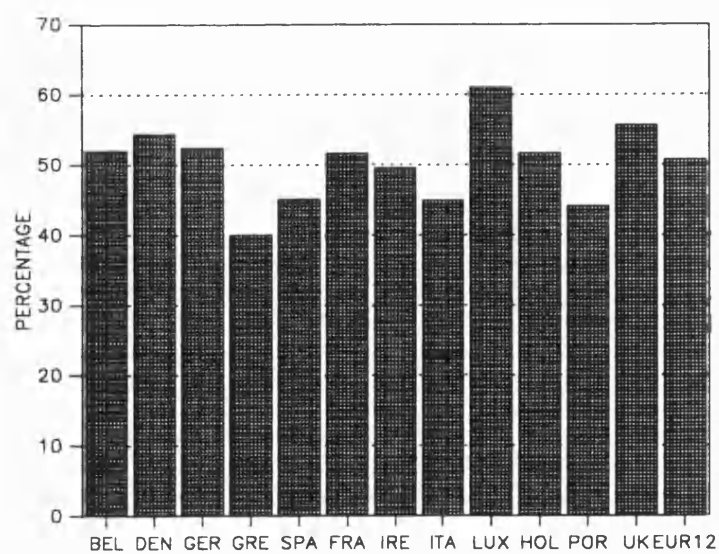
Graph 8.14 shows how the weight of wages as percentage of the disposable income of households changed during the 1980s. The decade can be divided into three zones: a decreasing trend until 1984, stable during the middle years and a recovery during the last three years. Nevertheless, the proportion was less than 45 per cent in 1990.

Graph 8.14**WAGES AS PERCENTAGE OF DISPOSABLE INCOME OF HOUSEHOLDS**

Source: DCP.

Graph 8.15**COMPENSATION OF EMPLOYEES AS PERCENTAGE OF THE
COST STRUCTURE OF GDP (1989)**

Source: EUROSTAT, 1991c.

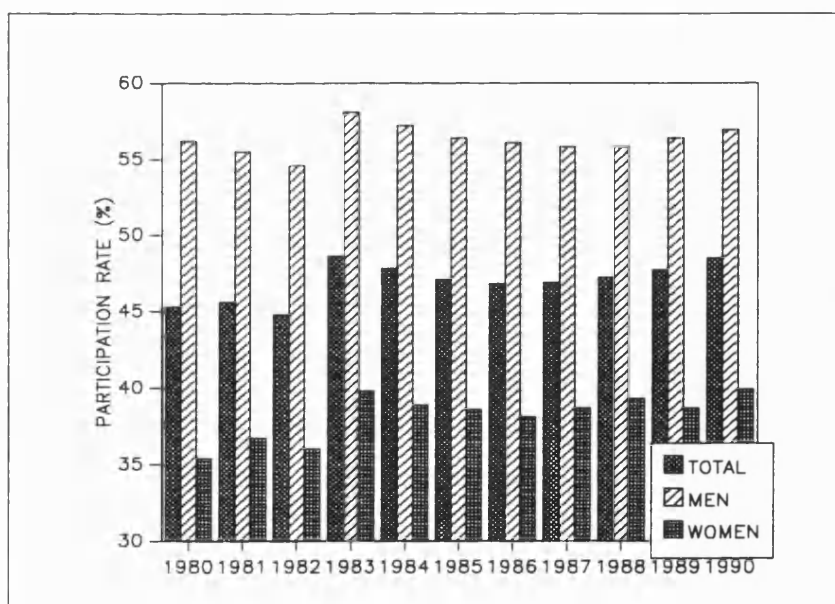


In the Graph 8.15 one verifies that the share of the compensation of employees in the cost structure of GDP at market prices in 1989 was the second lowest in the European Community (followed only by Greece) (EUROSTAT, 1991).

To assess the economic impact of these trends, it is not enough to focus on the value of the wages in 1989. The effects of deep and sustained losses previous to that year, though difficult to measure, also have to be taken into account.

Between 1980 and 1990, the *total participation rate* rose by more than 3 percentage points, mainly due to the increasing participation rate of women, which is practically stable or rising slightly since 1983 (Graph 8.16).

Graph 8.16
PARTICIPATION RATES
Source: Lima, 1991.



Unemployment decreased gradually during the first years of the decade, but rose by 1 percentage point between 1984 and 1986, with a clear fall during the next three years, to about 5 per cent in 1990, the second lowest in the

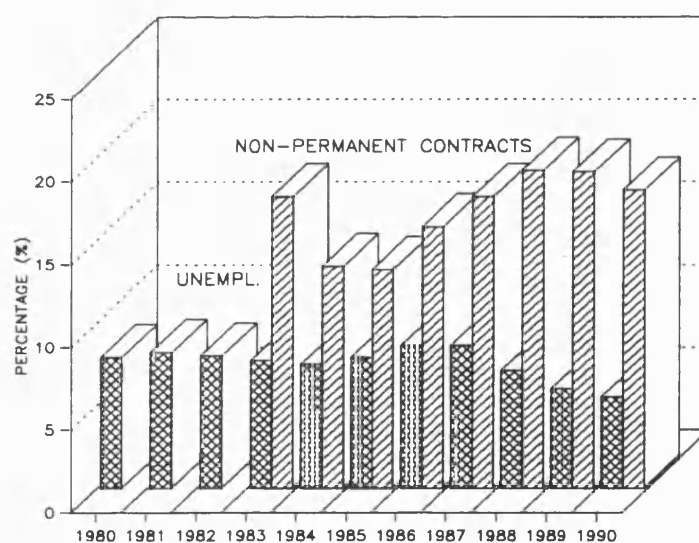
European Community (after Luxembourg), both when globally considered as well as when estimated by gender (CEC, 1991, p. 49). With regard to the unemployment rate among youth (below 25 years), its value as percentage of the labour force of the same age group fell by half during the second half of the 1980s to around 10 per cent (the fourth lowest value in the EC). However, the long-term unemployed represented about 45 per cent of total unemployment. Furthermore, in 1989 less than 10 per cent of the unemployed received unemployment benefit.

On the other hand, from 1983 onwards, the share of non-permanent contracts⁴⁹ show a initial drop followed by an increase from 13.2 per cent in 1985 to 19.1 in 1989 (Graph 8.17).

Graph 8.17

UNEMPLOYMENT RATE (NARROW) AND
NON-PERMANENT CONTRACTS

Sources: Lima, 1991 and Silva, M., 1991.



49. The concept of "non-permanent" contract is not precise. Often, it means the same as "temporary" contract, and includes contracts that explicitly mention the beginning and the end of the duration period, as well as season or occasional contracts.

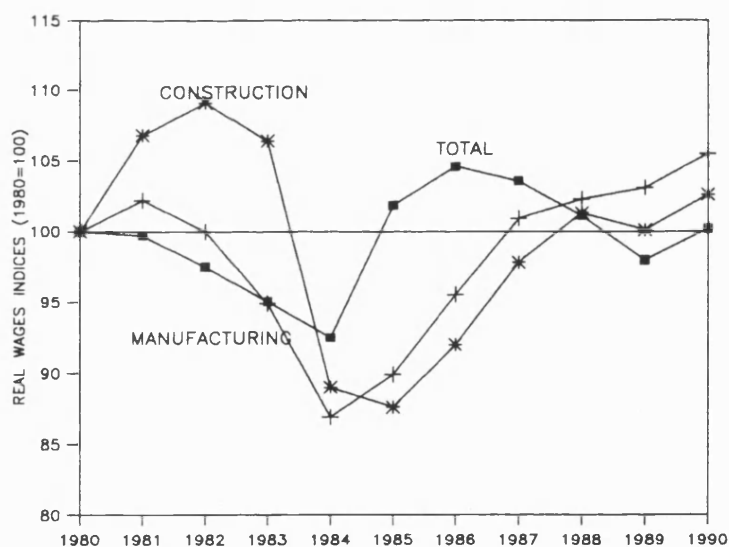
Furthermore, the real meaning of a relatively low unemployment rate in Portugal cannot be correctly understood without taking account of under-employment, precarious work and the informal sector of the economy.

The *total real average wage* showed a sharp fall until 1984, followed by a steep rise in the next two years and a new decline during the second half of the decade (Graph 8.18). As a result, its value in 1989 revealed a loss of the purchasing power by 2 per cent in relation to 1980. The wages in manufacturing and construction followed similar trends, although the former had a gain in the purchasing power of 3.1 per cent and the construction branch showed in 1989 a purchasing power identical to that of 1980.

Graph 8.18

REAL WAGES

Sources: Banco de Portugal, 1991 and Silva, M., 1991.

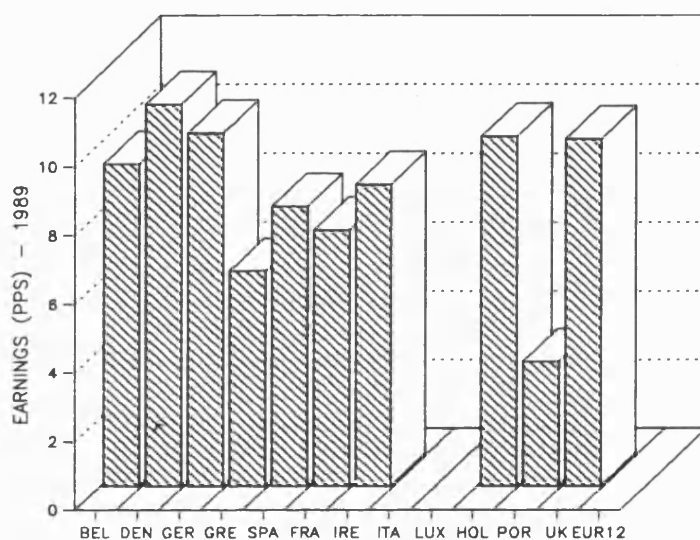


Graph 8.19 shows the average gross hourly earnings of manual workers in industry, in October 1989, in the member-States of the European Community, in

Graph 8.19

AVERAGE GROSS HOURLY EARNINGS OF MANUAL
WORKERS IN INDUSTRY (Oct.1989)

Source: EUROSTAT, 1991c.



terms of purchasing power standard. It is clear that the earnings in Portugal are markedly lower than in most of the other member-States, even when compared to the "peripheral" partners.

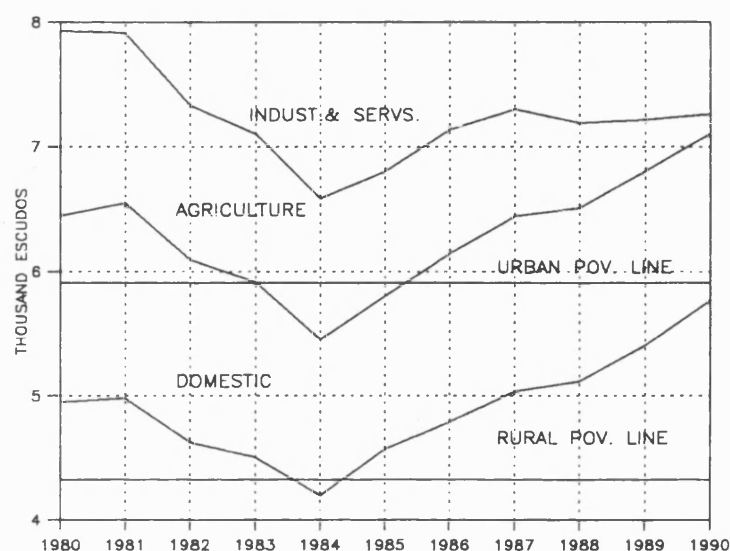
Finally, with regard to *minimum wages*⁵⁰, Graph 8.20 reveals that, in

50. In Portugal, there are three minimum wages: one for Industry and Services, the other for Agriculture and the third for Domestic Services. Their values are established by discretionary decisions of the Government (usually, every year).

Graph 8.20

MINIMUM WAGES

Source: Ribeiro, 1991.



spite of their notoriously low purchasing power in 1980 those wages suffered a severe reduction during the first half of the 1980s. In agriculture and in domestic services, the lost purchasing power had been recovered by 1987 and the upward trend continued until 1990. In industry, however, after some recovery between 1985 and 1987, the value remained stable around 91 per cent of the 1980 level.

The particularly low *levels of education* of this group would suffice to infer that they would have non-qualified jobs and, therefore, low wages. In fact, around 1/3 did not have any diploma, 91 per cent had at most the primary school (4 years) and 95 per cent had at most a 6-years diploma.

Furthermore, in what concerns those employed in agriculture, what was said above about this sector reinforces their vulnerability to poverty. With regard to the other two sectors (industry and commerce), the data reveal that most workers are employed in branches that face crisis or are relatively marginal: textiles, leather works, paper, china, metals (around 21 per cent), construction

and public works (27 per cent), commerce (8 per cent), transport and communications (9 per cent), public administration, charities, etc. (12 per cent), repairing, domestic services and personal services (9 per cent) and other (15 per cent).

The above analysis seems sufficiently elucidating in what concerns the relation between poverty among employees and the labour market in the late 1980s. Those aspects also allow us to anticipate that it is highly probable that the retirement pensions of these workers will also have been particularly low, since the value of the pension is based on the wage records during the active life period. This is what will be analysed in the following section, in relation to the heads of poor households that were pensioners.

8.2.4. *Poor pensioners*

As expected, in 95 per cent of these cases, *pensions* constitute the main source of income of these heads of households and almost 3 per cent live at the expenses of the family (or other persons).

About 66 per cent of the households consisted of only retired persons. The remaining 34 per cent of households comprised retired persons and persons with other status.

About 38 per cent were *couples without children*, 9 per cent *other types of two person households*, 30.4 per cent *single persons* (27.3 per cent above 64 years of age) and 12 per cent *other types of households*.

Table 8.6 presents the cross-table of the number of income recipients by the size of poor households headed by retired persons. It may be seen that 30.4

per cent of these cases consist of single persons, 46.5 per cent are 2-person households, 12 per cent are 3-person households and 11 per cent are households with 4 or more persons.

Table 8.6

**NUMBER OF INCOME RECIPIENTS BY SIZE OF POOR
HOUSEHOLDS HEADED BY RETIRED PERSONS (1989)**

	1 person	2 persons	3 persons	4+ persons	Total
1 inc. recip.	100 77.5	17.3 20.6	4.2 1.3	2.2 0.6	39.2 100
2 inc. recips.	0 0	82.5 83.7	45.5 11.8	18.7 4.5	45.9 100
3 inc. recips.	0 0	0 0	49.7 60.7	34.3 39.3	9.7 100
4+ inc. recips.	0 0	0 0	0 0	44.8 100	5.2 1 0
Total	30.4 100	46.5 100	11.9 100	11.1 100	100 100

With regard to *single persons* it seems obvious that their situation of poverty is directly linked to the low level of the respective pensions. In fact, in 96 per cent of the cases pensions are the main source of income.

Two-person households mainly comprise couples without children and the other relevant group is made up of 2 adults (Table 8.7).

In either case, high proportions of households have 2 income recipients (78.2 per cent and 80.3 per cent, respectively).

Table 8.7

**TWO PERSON POOR HOUSEHOLDS HEADED BY RETIRED
PERSON BY TYPE OF HOUSEHOLD AND NUMBER OF
INCOME RECIPIENTS (1989)**

Distri- bution (%)	No. of inc. recips.			
	One	Two	Total	
Couple	81.6	16.2	83.8	100
2 adults (not couple)	17.4	19.2	80.8	100
Adult with child	1.1	100.0	-	100
	100			

In the former group (couples), 98 per cent of the heads were men, more than 86 per cent had 65 or more years of age and almost 99 per cent are above 55 years. This age distribution presumably means that the other income recipient member of the couple is also a pensioner. Furthermore, in 84 per cent of these cases, the head had no dependants. We should therefore conclude that for the large majority of these pensioners (heads and wives/husbands), the level of the pension is not enough even for a single person.

In contrast to couples, two-person households made up of two adults are headed by women in 88 per cent of the cases. However, as in the previous case, this group also consists predominantly of older persons (77 per cent of the heads were above 64 years and 91 per cent were above 54 years). As mentioned above, 80.3 per cent of the households made up of two adults had 2 income recipients. It should be added that more than 84 per cent did not have dependants. Therefore, in this group also the insufficiency of the pensions seems clear in the case of the heads as well as in relation to the second adult.

Three-person households represent about 12 per cent of the households

with retired head. Only 4 per cent of these cases consist of a *couple with a child*. The larger portion (96 per cent) is made up of other types of household, of which 19 per cent consist of *2 adults (not couple) and 1 child* and 81 per cent of *3 adults*.

In the first of the latter groups (2 adults and 1 child), the head was the sole income recipient in only 11.5 per cent of the cases. In most of the cases, there was another one income recipient (85 per cent of households) or even two income recipients (4 per cent of the cases). In the other group (3 adults), more than 67 per cent of the heads had no dependants (which means that they did not have to share their pension), 31 per cent had one dependant and only 2 per cent had two dependants.

Households of four and more persons represent 11 per cent of the households headed by retired persons. Only a small proportion (3 per cent) corresponds to a *couple with 2 or more children*. The main types of other households are the following: *3 adults and 1 child* (9.1 per cent), *4 adults* (32.6 per cent), *3 adults and 2 children* (5.3 per cent), *4 adults and 1 child* (6.1 per cent) and *5 adults* (13.6 per cent).

Nevertheless, in almost 30 per cent of the cases, the head of the household did not have dependants. Moreover, the relation between the household size and the number of income recipients does not seem particularly unbalanced, as can be seen in Table 8.8.

Table 8.8

**FOUR AND MORE PERSONS POOR HOUSEHOLDS HEADED
BY RETIRED PERSON BY SIZE OF HOUSEHOLD AND
NUMBER OF INCOME RECIPIENTS (1989)**

Size of household	Distri- bution (%)	Number of income recipients				
		1	2	3	4+	Total
4 persons	42.4	-	24.6	29.8	45.6	100
5 persons	25.8	2.9	14.3	51.4	31.4	100
6+ persons	29.5	2.5	12.5	25.0	60.0	100
	100					

To sum up, the analysis of the poor households headed by a retired person seems to lead to the conclusion that neither demographic factors (too large families) nor an exaggerated number of dependants explain the poverty of those households, which, as mentioned above, represented over 56 per cent of the poor households in Mainland Portugal in 1989. The basic explanation for the poverty of this group of poor households is to be sought in the social security system and policy -- more precisely, in the pensions scheme --, together with the educational system⁵¹ and the labour market and wages policies, insofar as the level of retirement pensions is linked to the wages record of the worker's active life period.

It is now important to look at the issue from the sectoral point of view. In other words, how have the pensions behaved during the 1980s?

Old age and invalidity pensions belong to five different types of systems that have gradually tended to converge during the recent years: the *general system*, which covers workers in industry and services (except Public

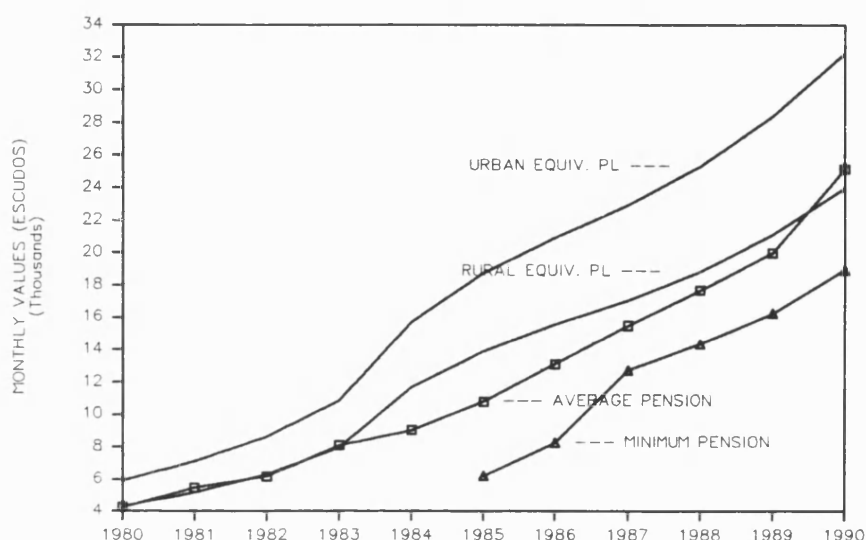
51. The educational level of the retired heads of poor households was particularly low: 68 per cent had no diploma of any kind and only 3 per cent had more than the Primary School (4 years).

Administration), the social security system for *civil servants*, the system for *agricultural workers*, the system for *domestic services*, and the means-tested *non-contributory system*. In the first two systems, the level of the pension is based on the wage record of the worker. In the other three systems, the pension corresponds to a flat value, established annually by the discretionary decision of the Government. In general, the former group has more "generous" pensions than the latter.

Graph 8.21 allows the comparison between the rural and the urban poverty lines and the *average* value of the general (more "generous") system throughout the 1980s. It is impressive that along the whole period, the average value remained systematically below the urban poverty line and even below the rural poverty line between 1984 and 1989. From 1985 onwards, a minimum pension was defined for the general system. This line falls drastically below both those poverty lines.

This situation seems to throw sufficient light on the precarious situation of the retired persons, even when they do not have to share their pension with other persons. Needless to say that the comparative analysis of the rural, domestic services and non-contributory pensions would lead to more dramatic differences.

Graph 8.21
AVERAGE AND MINIMUM OLD AGE AND INVALIDITY
PENSIONS (GENERAL SYSTEM)



Another aspect that should be analysed concerns the changes between the proportions of retired heads of households in the pattern of poverty in 1980 and 1989. As mentioned earlier, the percentage of such cases rose from 41 per cent in 1980 to 56 per cent in 1989. This difference is the result of a number of factors and cannot be explained straightforwardly.

In fact, the age structure of the populations in 1980 and 1989 does not exhibit major differences in the higher age groups (Table 8.9). Nonetheless, the differences are larger when we compare the poor population. In 1989, more than 1/3 of the heads of households were retired persons, while in 1980, the corresponding proportion was slightly above 1/4. However, the incidence of poverty in this group was lower in 1989 than in 1980 (37.2 per cent and 40.3 per cent, respectively). Finally, the percentage of rural households does not provide any particular distinctive aspect.

Table 8.9

AGE DISTRIBUTION OF RETIRED HEADS OF HOUSEHOLDS

	1980		1989	
	ALL	POOR	ALL	POOR
< 25	1.4	0.8	1.2	0.7
25-34	12.9	7.2	12.1	6.3
35-44	18.4	12.1	18.7	10.3
45-54	21.8	18.0	19.6	13.0
55-64	21.1	20.6	21.4	22.9
65+	24.4	41.3	27.0	46.9
	100	100	100	100
% RETIRED	25.6	41.0	33.5	56.1
INCIDENCE	-	40.3	-	37.2
%RURAL	75.5	78.5	75.5	75.7

It may be demonstrated that 9 of the 15 percentage points of increase in the weight of the retired among the heads of poor households are explained by the combined effect of the differences in the proportion of the retired in the total set of heads of households and in the incidence of poverty in the retired group (Table 8.10). The remaining 6 percentage points are explained by the changes in the non-retired group.

Table 8.10

EXPLANATION OF THE INCREASE OF PERCENTAGE OF THE RETIRED AMONG THE HEADS OF POOR HOUSEHOLDS

<u>1980</u>	
Probability of being poor $P(p)$	0.252
Probability of being retired $P(r)$	0.256
Prob. of being poor if retired $P(p r)$	0.403
$P(p \cap r) = P(r) \times P(p r)$	0.102
$P(r p)$	0.405
<u>1989</u>	
$P(p)$	0.223
$P(r)$	0.335
$P(p r)$	0.372
$P(p \cap r) = P(r) \times P(p r)$	0.125
$P(r p) = (0.125/0.102) \times 0.405$	0.496
Difference in relation to 1980	0.092
Effective $P(r p)$	0.559
Difference explained by non-retired	0.063

8.2.5. *The feminization of poverty*

Gender-based inequality is a well-known characteristic of the Portuguese society (see, e.g., CIDM, 1991) and, as elsewhere, it is deep-rooted in the history and culture of the people. It is beyond the scope of this study to analyse the problem in its deep causes and implications concerning poverty. Nevertheless, it seems useful to analyse the available information from the point of view of gender inequality.

Chapter 6, on the characteristics of poor households, contains a section on the gender distribution of poverty (section 6.3.1), in which some aspects were subject to a comparative analyses with regard to gender. The analysis is resumed here, now in the perspective of the *feminization of poverty*. This expression is taken to refer not to the incidence of poverty among women but to **households headed by women** (Sawhill, 1988). In other words, what we propose to investigate is whether these households are more vulnerable to poverty than those headed by men and, if so, why.

We will begin by recalling some of the findings presented in Chapter 6. Firstly, that in 1989 *the incidence of poverty among households headed by women was 1.6 times the incidence among households headed by men* (32 per cent and 20 per cent, respectively). The difference was considerable both in rural areas as well as in urban centres, though larger in the former (1.7 times and 1.4 times, respectively). Secondly, it was also seen that the higher vulnerability of households headed had no relation with the *size* of the household: the average number of persons was of 2.0, while in the case of households headed by men it was of 3.1. Thirdly, mention was made to the fact that 82 per cent of the women heads of households were *economically inactive* (72 per cent retired and 9.2 per cent housewives).

In this respect, it should be noted that the HBS/1989 left the choice of the *representative (head)* of the household to the household itself. The questionnaire contained a specific question on this point, and included a question on the criterion used for the choice. In the case of poor households headed by women, it may be seen that in only 2.5 per cent of the cases the choice of the representative was based on the criterion of "main income support of the household". In almost half of the cases, the choice was "because she is considered as the head of the family", in 22 per cent of the cases "because she is the housewife" and in the remaining 27 per cent of the cases for "other reasons". What is clear, therefore, is that in most of these cases, there is no relation between the *head* and the *main income recipient* within the household.⁵²

In 1989, about 1/3 (30 per cent) the of *poor households* were headed by *women*. More than half (51.7 per cent) of these households were *single-person* households; 5.6 per cent were *single-parent families*; and 39.2 per cent "*other types* of households". We will analyse these three groups separately.

a) *Single persons*. The large majority (82 per cent) of the women living as *single persons* had 65 or more years of age. Among these, 95.6 per cent were *retired* and practically all (97.4 per cent) were *economically inactive*. Minor proportions are *employed* (2.6 per cent) or *housewives* (1.8 per cent). It seems, therefore, that in the case of women living alone -- i.e., in 52 per cent of households headed by women --, the basic problem resides in the *retirement pensions*.

b) *Single parent households headed by women*. As mentioned, this is a

52. Also in the case of poor households headed by men, the proportion of heads chosen by the criterion of "main support of the household" is very low (3.5 per cent). In contrast, the percentage of heads chosen because he is "considered as the head" is of 90.4 per cent.

relatively small group of households, representing only 5.6 per cent of the households headed by women. Given the small size of this sub-sample, the breakdown of this group into sub-categories raises statistical difficulties. Nevertheless, it may be seen that most of these heads are young: 50 per cent below 35 years of age and 94.4 per cent below 45 years; and that 1/3 are economically *inactive* (*housewives* -- of whom half are single and half married -- or *retired*).

c) "*Other types of households*". This group comprises 39.2 per cent of the poor households headed by women. The women belong mainly to *higher age-groups* (90 per cent above 44 years and 62 per cent above 54 years). About 76 per cent are economically *inactive* (62 per cent *retired* and 14 per cent *housewives*). About 91 per cent of these heads of household, have at most, 2 *dependants* (80 per cent at most 1 dependant and 56 per cent no dependant). About 86 per cent of these households have 2 or more *income recipients*, and the crosstabulation of size of household by the number of income recipients shows that the relation is not particularly unbalanced: among the 2-person households, 82 per cent have 2 income recipients; in the group of 3-person households 82 per cent have 2 or 3 income recipients; among the 4-person households 86 per cent have 2 or more income recipients, and 53 per cent have 3 or more income recipients. These three groups represent 81 per cent of households with the head in this category.

It seems, therefore, that the size of the household does not explain the high incidence of poverty among households headed by women. Neither does the role of the woman in the household, which would be reflected basically in the category of *housewife*, which, as seen, is not particularly frequent (about 9 per cent). In these cases, therefore, as in the case of households headed by men, the problem seems to be explained basically by wages and pensions, not only of the heads but of all the income recipients in the household.

At first sight, the analysis undertaken does not seem to reflect the prejudice based on gender that exists in society. We will, nevertheless, proceed with a *comparative analysis of poor households* headed by women and by men.

When the socio-economic categories of male and female heads of poor households are compared, it strikes that the proportion of the economically *inactive* is much higher in the case of women (51 per cent and 82 per cent, respectively). On the other hand, it may be seen that, globally, the incidence of poverty is considerable higher among households headed by economically inactive persons than among households headed by active persons (36.2 per cent and 14.1, respectively). It is true that in the case of women, 11 per cent of the inactive are housewives. However, this proportion does not seem sufficient to explain the inequality. Furthermore, around 95 per cent of the remaining inactive (i.e. pensioners) have the pension as their main source of income, which confirms the fact that lack of resources is a result of low levels of pensions.

However, the *incidence of poverty* among the retired heads of households is higher among women than among men (43 per cent and 34 per cent, respectively), which means that, within the group of the retired, there is a disadvantage for the women. The disadvantage may partly be due to the lower pensions as a result of lower wages of women. On the other hand, about 74 per cent of the female retired heads of households are widows, which may mean that their pension is not a normal retirement pension due to *their own work* but the pension that is due to *wives or widows of workers*, which is lower than the former.

Among households headed by *employed persons*, although the incidence of poverty is higher for households headed by women, the difference (15.8 per cent and 13.7 per cent, respectively) is less sharp than in the case of pensioners and does not seem to have any particular significance. Furthermore, as mentioned

above, these cases represent only 18 per cent of the households headed by women. Nevertheless, some aspects may be underscored, that are reflected in the gender inequality in the labour market. Firstly, the deeper disadvantage of women in the field of education. Although, as mentioned earlier, the educational level of the heads of poor households is notoriously low in general, the breakdown of the data by gender, reveals a comparative disadvantage of employed women with respect to employed men: the percentage of those who had no diploma was of 46 per cent and 31 per cent, respectively, and the disadvantage persisted throughout all the levels. As a result, the proportion of women with low-paid jobs is higher than the proportion of men (e.g., in 1990, the percentage of employees with wages below 50 000 Escudos was of 51 per cent for women and of 28 per cent for men (CIDM, 1991)). Secondly, women's earnings are approximately 90 per cent of men's, for the same level of professional qualification (MESS, Agosto 1991).

These aspects reflect a chain of cumulative disadvantages that affect women: lower education leads to less qualified jobs, meaning lower wages and, consequently, lower retirement pensions. To these factors of inequality one should add the fact that, for similar job qualifications, women have lower earnings than men.

8.3. Main findings

In the early 1980s, the country faced a complex social and economic situation, as a result of various convergent factors: the world crisis that broke out in the mid 1970s, the process of decolonisation (followed by a massive migration of families from the former colonies to Portugal and the loss of the African markets), and high levels of demand for more social justice.

Between 1980 and 1982, most of the economic indicators revealed a general short-term deterioration: sharp fall of growth rates, decreasing gross investment rates, loss of purchasing power of wages, high unemployment rates, decreasing trend of private consumption, sharp increase in the inflation rate, deterioration of the current external deficit and of the external debt.

During the period that followed, economic policy attached the highest priority to the reduction of the deficit of the current balance, of the external debt and of the public debt, as well as of the inflation rate. The strategy adopted was based mainly on the reduction of consumption and imports. As a result, the external deficit dropped sharply and the inflation rate fell by more than 6 percentage points. However, economic growth rates and changes in real wages, gross investment and private consumption were negative during the first two years (1983 and 1984) and the external debt increased during a broader period. 1983 and 1984 witnessed a typical situation of *stagflation*.

In the meanwhile, non-permanent job contracts affected around 1/2 million workers in 1983, unemployment remained high (between 7 and 8 per cent) and, in mid-1985, only 25 per cent of the officially registered unemployed received unemployment subsidy. Dismissals, bankruptcies and closure of firms threatened the sectors in crisis such as the naval construction and repair and sea transport, among others. A new social phenomenon appeared and grew during this period: cumulative delays in the total or partial payment of wages.

In 1985 that the problem of the "new poor" emerged as a politically relevant issue.

By the end of 1985, the international context had changed in a favourable direction, the "shock treatment" implemented by the previous period had restored

the most relevant macro-equilibriums and Portugal had formally joined the European Community (in June 1985). These factors enabled the government to adopt a more growth-oriented economic policy, implement some social measures and develop a set of improvements financially supported by the European structural funds.

During the following two years (1986-1987), the inflation rate dropped drastically, GDP, private consumption and gross investment grew at considerable rates, but the current balance and the external debt remained practically unaltered. The real average wage did not change, but minimum wages improved in real terms. At the same time unemployment rose slightly and the percentage of non-permanent contracts increased.

Elections held in 1987 led to the first single-party parliamentary majority in the new Portuguese democracy, thus enhancing the possibilities of an "impressive" socio-economic performance. However, the changes were positive in some aspects but not so successful in others. In the period of 1985-1989, Portugal had one of the highest average growth rates in the European Community. On the other hand, the unemployment rate decreased. However, the growth rates of private consumption and of gross investment, though positive in the period, presented a tendency to slow down. On the contrary, the decreasing trend of inflation until 1987 changed its course towards an upward trend. Coincidentally, real wages dropped between 1987 and 1989.

In broad terms, therefore, the economic situation during the 1980s was characterised by a general deterioration during the first half of the decade and a global recovery during the second half.

The figures on the measurement of poverty, presented in Chapter 5, seem to show that the downward trend of the first half of the 1980s was globally

recovered during the second half of the decade, although a more detailed analysis reveals that the changes were positive in some respects but negative in others.

The analysis of poverty in 1989 was undertaken in three perspectives: by the size and type of households, by occupational status and by gender.

In the first aspect, we saw that the three *most vulnerable groups* were the *2-person* households, households with *6 or more persons* and *single persons*. Small-size households were headed by older persons and larger households by younger persons. It was also shown that in the case of the larger households (6 and more persons), the number of dependants was not the main cause of poverty.

With respect to the *occupational status* of the heads of poor households, the most important are the *pensioners* and the *employees*. The *main sources of income* of these groups are the *wages* in the case of the of larger households and the *pensions* in the case of the smaller families. These two are the main sources of income of the heads of poor households in general.

Both in 1980 as well as in 1989, the two largest groups (the *retired* and the *employed* with civilian profession) represented about 94 per cent of the poor households. During the 1980s, the incidence of poverty among households headed by active persons dropped more sharply than among households headed by inactive persons. The weight of the *unemployed* among the heads of poor households was lower than 2 per cent in 1989. This fact is explained by the general behaviour of the unemployment rate.

Among the *economically active heads households*, the most vulnerable to poverty in 1989 were those that worked in Agriculture. However, the largest group was made up of employees in Industry. The other two groups with

relatively high shares were the employers in non-agricultural activities and employees in Commerce.

Households headed by *persons working in Agriculture* made up 50 per cent of poor households headed by active persons in 1980 and 30 per cent in 1989. The drop actually means improvement in the case of the employers, among whom the incidence of poverty fell (although more than 1/4 of the category was still in poverty in 1989). In the case of the employees, the incidence actually increased and in the late 1980s almost 1/3 of the group was still in poverty.

Concerning the situation of the Portuguese agriculture in the late 1980s, it was shown that it can only be understood if one takes account of the trends during the preceding three decades. The survey of the policies implemented since the early 1950s provided the background to understand the rural poverty. Systematically with a marginal status, the agricultural sector preserved its traditional production systems, presented high rates of illiteracy, lacked training programmes for managers and technical staff, and investment. The 1960s and the early 1970s were marked by what has been called a "rural exodus", towards the urban centres and other countries.

The Revolution of 1974 brought about some relevant changes: the adoption of a policy of income redistribution, with bearing on the food demand; massive population movements from the former colonies; loss of colonial markets; deep changes in the agricultural firm structure. On the other hand, the world crisis brought about a sharp rise of the world prices and barriers to emigration raised by the European countries that were traditionally sought by the Portuguese workers.

The credit policy followed during the years that preceded the entry to the European Community benefited mainly the production units that already presented

higher technical and economic feasibility.

Most of the policies implemented since 1974 had a short-term perspective. The most important bottle-necks persisted and the sectoral crisis deepened. In 1980, the income per active person in agriculture was 3.4 times lower than that of the non-agricultural sectors.

It is not surprising, therefore, that in 1980, about 1/3 of the active population working in agriculture was poor.

The value added in the sector as percentage of GDP showed a regular decrease during the 1980s, revealing a progressive loss of weight of the sector in the Portuguese economy. In the early 1980s, only 1 per cent of the production units were based on capital intensive systems of production and generated a level of income per active person higher than the average of the remaining sectors of the economy. Until the mid-1980s, the main features of the agricultural prices and markets system did not undergo any major change.

Since Portugal joined the European Community (in 1985/86), the agricultural sector has been subject to a set of factors and norms that explain the sectoral behaviour during the second half of the 1980s. In what concerns the impacts that are of interest to this study, it seems that the balance of the post-entry period may be characterised by a fall in the incomes of the Portuguese farmers and by a sharp increase in the agricultural investment which tends to confirm the inequalities presented by the past trends.

Around 1988, the real value added per annual unit of labour in Portugal was less than 30 per cent of the average value of the Community, in terms of *purchasing power standard*. This indicator seems sufficiently eloquent about the notorious lag that characterises Portuguese agriculture in relation to the other

Community member-States.

The crosstabulation of the number of income recipients by the number of dependants in the poor households headed by farmers in 1989 shows that the proportion of households in which the number of dependants equalled or exceeded that of income recipients decreased as the latter increased, which seems to indicate that, also in this case, poverty is more a result of low incomes than of the size of the household.

The distribution of poor *employers in non-agricultural sectors* by the different activity branches seems to indicate that these employers owned small scale firms and/or worked in an uncertain context of demand, namely in construction, retail commerce and personal domestic services. The average size of poor households headed by employers is comparatively large.

Employees are the other large category of the economically active heads of poor families. Their distribution by sectors is as follows: 20 per cent were employed in *agriculture*, 59 per cent in *industry* and the remaining 22 per cent in *commerce*. Employees in agriculture and in industry reveal a much higher vulnerability to poverty than employees in services.

Unemployment decreased during the 1980s to about 5 per cent in 1990. However, the long-term unemployed represented about 45 per cent of total unemployment and in 1989 less than 10 per cent of the unemployed received unemployment benefit. On the other hand, the share of non-permanent contracts was of 19 per cent in 1989. Furthermore, the real meaning of a relatively low unemployment rate in Portugal cannot be correctly understood without taking account of under-employment, precarious work and the informal sector of the economy.

Total real average wage in 1989 revealed a loss of the purchasing power by 2 per cent in relation to 1980. In October 1989, the average gross hourly earnings of the Portuguese manual workers in industry were markedly lower than in most of the other member-States of the European Community, in terms of purchasing power standard. In spite of their notoriously low purchasing power in 1980, *minimum wages* suffered a severe reduction during the first half of the 1980s. In agriculture and in domestic services, the lost purchasing power had been recovered by 1987 and the upward trend continued until 1990. In industry, however, the value in 1990 was around 91 per cent of the 1980 level.

The particularly low *levels of education* of this group would suffice to infer that they would have non-qualified jobs and, therefore, low wages.

The above analysis seems sufficiently elucidating in what concerns the relation between poverty among employees and the labour market in the late 1980s.

With regard to the heads of households that were *pensioners*, it was seen that in 95 per cent of these cases pensions constituted the main source of income and that almost 3 per cent live at the expenses of the family (or other persons). About 66 per cent of the households consisted of only retired persons.

The analysis of this group leads to the conclusion that neither demographic factors (too large families) nor an exaggerated number of dependants seem to explain the poverty of those households. The basic explanation is to be sought in the social security system and policy -- more precisely, in the pensions scheme --, together with the educational system and the labour market and wages policies, insofar as the level of retirement pensions is linked to the wages record of the worker's active life period.

Throughout the 1980s, the average value of the pensions of the general system remained systematically below the urban poverty line and even below the rural poverty line between 1984 and 1989. The *minimum pension* falls drastically below both those poverty lines. This situation seems to throw sufficient light upon the precarious situation of the retired persons, even when they do not have to share their pension with other persons. Needless to say that the comparative analysis of the rural, domestic services and non-contributory pensions would lead to more dramatic differences.

Another feature of the pattern of poverty in Portugal in the late 1980s is that *the incidence of poverty among households headed by women was 1.6 times the incidence among households headed by men*. The ratio was approximately the same in rural areas and in urban centres. This higher vulnerability had no relation with the *size* of the household. Furthermore, 82 per cent of the women heads of households were *economically inactive* (72 per cent retired and 9.2 per cent housewives).

In 1989, about 1/3 of the poor households were headed by *women*. More than half of these households were *single-person* households; 6 per cent were *single-parent families*; and 39 per cent "*other types of households*".

The large majority of women living as single persons had 65 or more years of age and were *retired*. Minor proportions were *employed* or *housewives*. It seems, therefore, that in this group -- i.e., in 52 per cent of households headed by women --, the basic problem resides in the retirement pensions. *Single parent households headed by women* are a relatively small group 1/3 of which are economically inactive (housewives -- of whom half are single and half married -- or retired). "*Other types of households*" comprise 39 per cent of the poor households headed by women. The women belong mainly to higher age-groups

and most of them are economically *inactive*.

Thus, the size of the household does not seem enough to explain the high incidence of poverty among households headed by women. Neither does the role of the woman in the household, which would be reflected basically in the category of *housewife*, which, as seen, is not particularly frequent (about 9 per cent). In these cases, therefore, as in the case of households headed by men, the problem seems to be explained basically by wages and pensions, not only of the heads but of all the income recipients in the household.

When the socio-economic categories of men and women heads of poor households are compared, it strikes that the proportion of the economically *inactive* is much higher in the case of women (51 per cent and 82 per cent, respectively). On the other hand, the incidence of poverty is considerably higher among households headed by economically inactive persons than among households headed by active persons (36 per cent and 14, respectively). Furthermore, around 95 per cent of the remaining inactive (i.e. pensioners) have the pension as their main source of income, which confirms the fact that lack of resources is a result of low levels of pensions.

However, the *incidence of poverty* among the retired heads of households is higher among women than among men, which means that, within the group of the retired, there is a disadvantage for the women. The disadvantage may partly be due to the lower pensions as a result of lower wages of women. On the other hand, about 74 per cent of the female retired heads of households are widows, which may mean that their pension is not a normal retirement pension due to their own work but the pension that is due to wives or widows of workers, which is lower than the former.

Among households headed by *employed persons*, although the incidence of poverty is higher for households headed by women, the difference (2 percentage points) does not seem to have any particular significance. Nevertheless, some aspects may be underscored, that are reflected in the gender inequality in the labour market: deeper disadvantage of women in the field of education; as a result, higher proportion of women with low-paid jobs; women's earnings are approximately 90 per cent of men's, for the same level of professional qualification. These aspects reflect a chain of cumulative disadvantages that affect women: lower education leads to less qualified jobs, meaning lower wages and, consequently, lower retirement pensions. To these factors of inequality one should add the fact that, for similar job qualifications, women have lower earnings than men.

9. TOWARDS AN UNDERSTANDING OF THE PARADOX

9.1. Some preliminary considerations

Research on poverty is recent in Portugal. In fact, the first comprehensive study on poverty was undertaken in the mid-1980s (Bruto da Costa, A. and Manuela Silva (Coords.) et al. 1985). It is not surprising, therefore, that the most developed historical studies in this area focus primarily on *assistance* rather than on poverty itself. Nevertheless, an analysis of those studies from the perspective of our investigation seems to have provided enough evidence that, from the early times of the foundation of the nation, poverty in general, and the poor in particular, were a persistent matter of concern for society as a whole, translated into policies implemented by public authorities, a wide set of private institutions committed to alleviating deprivation in its multiple forms, and the general concern of individual citizens.

The reform of assistance in the late fifteenth century, particularly the establishment of the first *Misericórdia*, provided an institutional model that was replicated throughout the country and abroad, giving rise to a network of institutions that still prevails.

The role of the State varied along the centuries. Periods of strong emphasis on public action alternated with periods of enhancement of the role of the private sector, more often than not supported by the State.

Beyond the differences that distinguished public agencies from private institutions, both these sectors had a common approach towards the problem of poverty. In either case, practices were of a remedial nature and aimed basically at mitigating deprivation rather than eradicating the causes of poverty. Various factors supported such practices. Firstly, the assumption that poverty was

fundamentally an individual problem that could be solved by individualised aid. Secondly, the identification of deprivation (low living conditions) with poverty (lack of resources). Thirdly, the idea that the problems of the poor should (and could) be solved without affecting the well-being of the non-poor, promoting deep social changes or calling in question the established social order. These assumptions still prevail in the Portuguese society.

The gradual development of social security and of the welfare state and the more recent upsurge of the consumer culture seem to have weakened the moral commitment of individual citizens towards the poor. However, these changes are not enough to explain why, in spite of such a historical background, poverty persists on a large scale in Portugal.

This study tried to throw some light on that apparent contradiction. The paradox was challenging because it suggested an explanation that the study took as its initial hypothesis: that the policies and action that translated the concern for the poor were, to a considerable extent, biased and miss-targeted, namely due to lack of investigation and understanding about the roots of the problem. This is the hypothesis the study tried to test and seems to have confirmed.

As stated above, the aim of this study was not to undertake historical research, but to contribute to the understanding of poverty as it occurs today. Hence the need of analysing the various concepts of poverty, assessing their virtues and shortcomings and their applicability in a study on poverty in Portugal. It should be borne in mind that most of the debate on concepts of poverty with reference to Europe has developed in the Northern countries. In this respect also, the first survey published in Portugal is dated 1984 (Bruto da Costa, A., 1984), and the issue has not yet been subject to a systematic debate. We, therefore, felt need of discussing the concepts at some length, so that the choice of the concept that would be adopted in the study could rest on sound grounds. Some conclusions

could not be explicitly applied or tested in the empirical part of our research, due to the limitations of the data sources used. Nevertheless, most of them underlie our analysis.

What was said above about the development of poverty concepts applies, as well, to methodologies for measuring and analysing poverty. Our basic stock of methodological devices has a North European origin. It is our conviction that in using those methodologies we took account of the specific features of the Portuguese context. The detailed discussion of the various steps in the establishment of the poverty line was continuously based on empirical data. The analysis of food consumption elasticity, the importance of the rural/urban breakdown and differences, the relevance of the agricultural sector, and the analysis of the distribution of poverty gaps are some examples of aspects that demand a degree of attention that varies with the type of society.

The clarification of many methodological issues was made possible by the direct access to the micro-data sets of the two surveys that were our main sources of information. Equally important, not only for the methodological aspects but also for the analysis of poverty, was that we carried out directly all the statistical work.

9.2. Major findings and conclusion

The foregoing chapters brought to surface many important aspects of poverty in Portugal. It is worthwhile underscoring some of them here.

A first point that emerges from the empirical part of this study is that poverty is *a major problem of Portuguese society*. Its relevance stems not only from the value judgement that the problem of poverty raises in any case, but also

from other quantitative and qualitative aspects. Firstly, the fact that poverty hits 1/4 of the population means that, even in mere quantitative terms, it is not a residual problem, but a phenomenon that affects a considerable proportion of society. The traditional *division between labour and capital* persists in the Portuguese society. However, the *division between the poor and the non-poor* gains a new meaning and greater importance. The growing proportions of technically qualified staff and of "white-collars" (the well-known process of enlargement of the middle-class), basically engaged in replicating the paradigm of the more affluent, is increasingly shifting the threshold of *power* from the traditional frontier between "labour" and "capital" towards the poverty line.

Secondly, the analysis of the poverty gaps showed that *many of the poor live in a situation of extreme deprivation*. It is a context in which persons and families are deprived of basic human rights and of fulfilment of citizenship. The issue gains greater clarity when the resources that the poor lack are compared with the "surplus" enjoyed by the non-poor. Efforts to combat poverty cannot be limited to policies of income redistribution. Nonetheless, it is of interest to compare, in general terms, the *total "deficit"* of the poor (sum of gaps of all poor households) with the *total "surplus"* of the non-poor (sum of the differences of the total consumption of the non-poor households and the poverty line) and with some commonly used macroeconomic indicators. Table 9.1 presents the main conclusions with reference to 1989 (calculations in Annex).

In the face of the ratios shown in the table it seems difficult to understand why deprivation still persists in Portugal. It is difficult to understand what type of obstacles -- technical, political or other -- hamper the transfer to the poor of about 3 per cent of total consumption of the non-poor, or prevent the Government⁵³ from allocating 4.5 per cent of its current consumption, or channelling 1.7 of GDP, to cover the entire poverty gap. It should be noted that the amount of the

53. "Government" stands here for the "Public Administrative Sector".

consumption of the non-poor that *exceeds* the poverty line (surplus) is 19 times what the poor *lack* to reach the poverty line (deficit), which means that about 5 per cent of that excess would suffice to fill in the gap.

Table 9.1

POVERTY GAP AND SOME MACROECONOMIC INDICATORS (1989)

	RURAL	URBAN	TOTAL
Persons (poor and non-poor)	7140879	2668021	9808900
Deficit (million Escudos)	77901	44029	121930
Surplus (million Escudos)	1542605	825744	2368349
Consumption of non-poor(mill.Esc.)	2629599	1364130	3993729
Total deficit:			
as % of Total surplus			5.1
as % of Consumption of the non-poor			3.1
as % of GDP (1989)			1.7
as % of Government current consumption (1989)			4.5

The explanation of poverty deals with the causes of poverty. Nevertheless, it is also useful to look at the issue from the opposite angle and ask what factors prevent the society from solving the existing problem. An initial answer to the latter question may lie in the fact that the "surplus" by which the consumption of the non-poor exceeds the poverty line does not exist as a "pool". It exists unevenly distributed by the non-poor households, just as the deficit is also unequally distributed among the poor households.

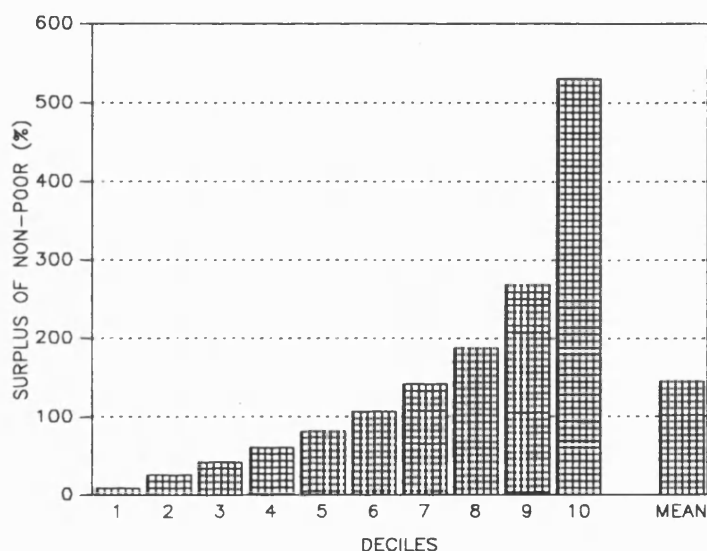
Graph 9.1 shows the distribution of the "surplus" of the non-poor households, as percentage of the poverty line⁵⁴, in 1989. Total consumption of more than 30 per cent of the non-poor households exceeds the poverty line by less than half of this level, and in more than 50 per cent of the cases consumption does

54. It should be borne in mind that what we call "surplus" is not the total consumption but the portion by which consumption exceeds the value of the poverty line.

not reach twice the value of the poverty line. If, for example, we were to assume that the redistribution would only affect surpluses greater than the average, only the higher three deciles would be involved, and their share would be of 6 per cent of their respective consumption (instead of the 3 per cent estimated for the all the non-poor households).

Graph 9.1

DISTRIBUTION OF SURPLUS OF THE NON-POOR
AS PERCENTAGE OF THE POVERTY LINE



It seems obvious, therefore, that the persistence of deprivation is partly due to income *inequality*, and one need not resort to particularly demanding criteria of social justice to infer that a reduction of 6 per cent in the consumption of the highest three deciles of the non-poor is far from dramatic. On the other hand, it should be noted that the mentioned reduction refers to consumption and not to resources. This means that it need not affect savings, which is one of the (questionable) arguments that have sometimes been put forward to justify inequality. It seems, therefore, that the main obstacle to the needed redistribution measures should be sought basically in the broad political implications of transfer

policies.

Thirdly, *poverty has its causes inextricably linked to the social and economic structures of society*. What was said, in the preceding chapter, about changes and trends of the Portuguese economy and policies -- in particular about the situation of agricultural sector and the rural population, the labour market and the wages system and the social security system -- leads unavoidably to the conclusion that, in such a context, large-scale poverty is bound to exist. Whatever the individual factors of poverty may be, the understanding that emerges from that analysis is that *the basic causes of poverty are to be sought in the society*, in its social and economic structures and policies, values and patterns of behaviour.

Two implications of the above conclusion deserve being stressed here. The first concerns policies of *redistribution* of income. The proportion of pensioners among the heads of poor households is sufficiently elucidative about the role of social security in the combat against poverty. However, the analysis of poverty also showed that the solution of the problem of poverty is not a matter of *redistribution* alone. Two other aspects must also be taken into account in this respect: the existence of poor households headed by *economically active persons*, the great majority of whom are *employed*, which implies that poverty has also to do with *primary distribution* of income, translated into adequate levels of wages and working conditions, including job stability; and the fact that the wage record has a bearing on the future level of retirement pensions. The social security system may mitigate the inequities and inequalities of the primary distribution, but cannot eliminate them.

The second implication is that any policy or programme that aims at combating poverty without reaching those structures, values and behaviours is bound to miss its target. Policies and programmes designed to effectively alleviate deprivation are necessary and should be supported. However, it would be illusive

to consider them as a means to combat poverty, if they do not focus on the causes of the lack of resources that leads to deprivation.

More recently, in the wake of the European Community programmes to combat poverty and foster social and economic integration of the least privileged, the Portuguese Government launched a wide national anti-poverty programme, comprising a large number of projects that are coordinated by two Regional Commissioners, one for the North and the other for the South of the country.

These projects are designed to cover local poverty in all, or most of, its forms and dimensions. They purportedly aim at reaching the root-causes of local poverty and resemble small-size local development projects, promoting participation of the poor and partnership between the relevant public (mainly local) authorities and private institutions. For many reasons -- among which the development of local resources and endogenous solutions is not the least --, the design of these projects reveals a methodological progress in relation to past practices. Nevertheless, two shortcomings define their basic limitations. The projects aim at developing mainly local resources (human, financial or other) and the scope of their action is also local. This implies that, in those cases in which local problems are mere local manifestations of national problems that can only be solve at national level, the projects are incapable of reaching the ultimate causes of poverty. It should be stressed that, in some of such instances, the projects have submitted to Government proposals of adequate policies and other measures. However, the extent to which the proposals have been actually adopted remains to be assessed. The second shortcoming is related to the previous one: the emergence of dynamics that tend to question the established social order would be blocked at the origin, unless it succeeded in conquering political support. Even in this case, however, the process would face serious difficulties, since the natural reaction of the central authorities would, foreseeably, be to remove the financial support from the Government.

In the present stage of development of the Portuguese society, a considerable contribution to combat poverty should be expected from local actors. However, one should bear in mind that there are problems that can only be solved at national level.

It is known that inequities in income distribution partly arise from inequities in the *distribution of wealth*. In this respect it is striking that, in 1989, the percentage of income recipients whose *main* source of income was *property* did not exceed 2 per cent of the total. This does not, in itself, mean that the large majority of the population was totally prevented from owning property, nor does it imply that the recipients of income from property are necessarily in the higher deciles -- in fact, almost 12 per cent of the income recipients that had property as their main means of life were poor --, but seems to hint a major inequity that would need to be analysed by resort to other sources of information.

Fourthly, poverty in Portugal is highly *persistent*, in two senses: along the *life-cycle* of the poor and concerning the *inter-generational transmission of poverty*. Since the HIES/80 and the FBS/89 do not contain data in this respect, we draw on our previous study, which was based on a specific survey of low-income households in Mainland Portugal, undertaken in 1985 (Bruto da Costa, A. and Manuela Silva (Coords.) et al., 1985).

In the mentioned study, 71 per cent of the respondents (heads of low-income households) stated that they had always been poor (p.150). This percentage, based on the subjective assessment of the respondents own situation, illustrates that it is extremely difficult for those who are born poor or fall into poverty to move out of it.

On the other hand, 75 per cent declared that their parents had also been

poor. This seems to suggest the existence of rigidity factors that hamper social mobility between generations. The survey does not clarify satisfactorily this issue, but provides information that allows the comparison between the professions of the respondent and of his or her father.

Thus, in the case of the non-agricultural employers or self-employed of the previous generation, 39 per cent had sons of the present generation with the same occupation; for non-agricultural employees, the proportion was of 71 per cent; almost half (46 per cent) of the (small) landowners of the previous generation had their sons with identical occupation and a very similar percentage (44 per cent) occurred in the case of tenant farmers; for agricultural employees, the proportion was of about 1/3 (p.154).

A study conducted two years later, on poverty among households that lived in degraded housing in the three main cities (Lisboa, Porto and Setubal) (Silva, Manuela and A. Bruto da Costa (Coords.) et al., 1989) led to similar results: 62 per cent of the respondents that considered themselves as poor (73 per cent of the respondents) said that they had always been poor. The respondents were also asked to assess the situation of their respective parents: 79 per cent of those who were poor in the previous generation had poor sons/daughters in the generation of the respondents (pp.177-182) -- a proportion that confirms the existence of strong factors that make poverty a persistent phenomenon.

Fifth, the preceding chapter showed that *demographic factors are practically absent from the set of causes of poverty in Portugal*. Indeed, the analysis of smaller and larger households with respect to the number of income recipients and of dependants showed that the main factor of poverty was insufficient income, from work and/or pensions.

Thus, the *labour market* emerged as one of the major areas where the

factors of poverty lie. In this respect, a complex set of aspects were highlighted. Notoriously low levels of *education* appeared as a general problem of Portuguese society and not specifically of the poor. Nevertheless, there is evidence of a marked comparative disadvantage of the poor. Furthermore, it was shown that this handicap was not restricted to older heads of households: about 85 per cent of heads below the age of 45 years had, at most, the primary (4-year) school.

Therefore, the upgrading of the general educational level of the Portuguese population and the *development of human resources* are complementary aspects of one of the fundamental axes along which progress is of paramount importance for combating poverty.

Recent programmes of vocational training, financially supported by the European Community structural funds, are useful and have presented positive results. However, such programmes cannot be looked at as a substitute to a sound educational background.

It has been stressed that the potential effects of the democratization of education on the opportunities for achieving better jobs have been reduced, or even neutralised, by the tendency to raise the level of credentials required to have access to more desirable occupations and work milieux (Room, 1982). Indeed, education is but one of the resources that poor citizens need in order to have access to better paid occupations. Other resources (skills, information, etc.) are equally necessary so that they may move out of poverty (Ibidem.). However, the multidimensional character of poverty and of an adequate anti-poverty policy should not blur the fundamental role of education, not only as a source of credentials for the labour market but also as a prerequisite of human fulfilment.

On the other hand, *low wages, precarious jobs, unemployment and under-employment*, as well as the parallel development of the *informal economy*, appear

not as accidental, temporary and conjunctural factors of poverty, but as consequences of basic societal structures and policies. However, particularly since the world crisis of the mid-1970s, socio-economic policies are designed on a short-term perspective. Thus, medium-term results are the outcome of a series of conjunctural policies that consolidate the established social order and, *ipso facto*, the mechanisms that generate and perpetuate poverty.

In this respect, the international dimension of all these aspects cannot be underestimated, both in the regional (European) as well as in the planetary contexts. Three fundamental questions should be underscored in this respect: firstly, the space of freedom and decision-making that still exists at the various levels; secondly, the extent to which societies and the different social actors realize the need for changes in the decisive areas of culture and political action; and, thirdly, the political will that exists in society to foster those changes in an enlightened and realistic way.

Sixth, the importance of *social security* seems obvious. Households headed by retired persons represent 56 per cent of the poor households, and the analysis shows that poverty among this group is explained basically by low level of pensions. Furthermore, it was also seen that the proportion of *inactive* poor heads of household increased during the 1980s, due to two reasons: a general increase of the *ratio between the inactive and the active* for the total number of households, and a smaller fall of the incidence of poverty among the inactive than among the active.

As it is known, low pensions are a consequence of wage records of the active-life period, in two ways: firstly, the amount of the pension is a function of the level of wages that the worker received during a given period the active life; and, secondly, wage records only reflect "normal" jobs and, therefore, do not include working periods without contributions to social security (typical of some

forms of precarious jobs and of the informal economy).

However, low pensions are also an outcome of the social security policy. What was said above about transfers that would suffice to fill in the poverty gap seems to indicate that the financial effort is not the main obstacle to achieve that objective. Nevertheless, the financial aspect should not be underestimated. In fact, the Portuguese social security system has not yet abandoned the *original philosophy*, according to which *social security rights* stem from *labour links*. It is true that, in the aftermath of the Revolution of 1974, the concept of *non-contributory benefits* was introduced and has been developing gradually. However, the financial scheme has been over-dependent upon contributions from labour incomes and slow in enlarging the realm of contributions to the global output of the economy.

The role of social security in the prevention of poverty among the inactive population is growing as the ratio of the *population at active age (15-64 years) to the elderly (65 years and above)* decreases. Between 1980 and 2000, the ratio is expected to fall from 5.6 to 4.9 in Portugal and from 4.7 to 4.2 in the EEC-12 (EUROSTAT, 1988b).

The fact that the incidence of poverty among *households headed by women* is considerably higher than among households headed by men is another aspect of poverty that results from factors that are deep-rooted in society. Certainly, poverty among households headed by women and headed by men has many common factors. However, as the analysis presented in the previous chapter suggests, there are specific factors based on gender, that bring about a comparative disadvantage of women. This disadvantage is reflected, namely, in lower levels of education, lower-paid and precarious jobs, lower wages for similar jobs, lower retirement pensions and low widowhood pensions. As it is known, the ultimate causes of these comparative disadvantages are cultural in nature and have

to do with the role of women, particularly of married women, in the family and in society.

The strong parallelism between global socio-economic policies and the behaviour of variables that are relevant to poverty (wages, pensions, etc.) is no mere coincidence. Welfare indicators are a response to socio-economic policies, and these policies are the final outcome of a set of interactions between problems, means, technology, the established social order, values, culture, social and economic structures, political options and political action.

Social welfare and *social action programmes* are necessary as short-lasting remedies to *deprivation*. In the curative perspective, those programmes may also be necessary to help the poor overcome the handicaps (psychological, cultural and social) that poverty often generates on those that are caught by it (particularly in the long-term), and hinder the liberation of the poor.

However, social welfare and social action leave untouched the sources of the *poverty* (lack of income). Nevertheless, that is the type of activity that most of the public agencies and private institutions have been primarily engaged in, to help the poor. With the exception of provisions (services) for children, mainly intended to allow the parents work, and a limited number of programmes of vocational training, the combat-poverty action has been predominantly absorbed in "managing" or "entertaining" poverty, by trying to mitigate deprivation.

The policy approach to poverty is usually based on the assumption that the problem should, and can, be tackled and solved without affecting the incomes and the welfare of the non-poor. This assumption explains why anti-poverty policies and programmes are, in general, residual in size and scope. They can only resort to the margin of resources and social changes that can be managed without disturbing the life-style of the non-poor.

To some extent, this was the philosophy underlying the *welfare state* of post-war period. The system survived until the high rates of economic growth generated a "surplus" that could be allocated to welfare schemes and programmes without disturbing the prevailing social order and the major interests of the better-off. As soon as the economies were incapable of yielding that "surplus" and the preservation of the welfare state demanded a deeper and more comprehensive adjustment, the system was declared unviable and collapsed, even in countries where it was still in an incipient phase of development, as was the case of Portugal. The crisis gave full visibility to the narrow sense of solidarity and justice that the welfare state was supposed to translate and promote. In the meantime, the recent upsurge of liberalism -- the so-called neo-liberalism -- has provided a theoretical background for an over-emphasis on the virtues of the market and on the evils of the State.

The fact that in 1989 about 1/4 of the households were poor is a convincing indication of the limitations of the policies and activities that have been implemented. In the mid-twenties, Agostinho Fortes assessed the situation in the following terms: "Much has been tried, in our midst, in favour of the classes that are deprived of the gifts of fortune (...). But, unfortunately, what both the public as well as the private action have achieved in this branch of the social problem is so little effective that it almost leaves the impression that *destitution* is cultivated with fondness, love and dedication, as a rare and priceless plant, so that it may ensure the existence of certain institutions and justify the kind and altruistic hearts that run hastily in help of their miserable fellow-beings" (Fortes, 1925). Irony aside, the core of this assessment of the situation as seen in 1925 is not very different from what may be said about the current approach to the problem. The combat against poverty has been conceived as a peripheral endeavour. Vested interests and the established order define implicitly, when not explicitly, the limits of that combat.

It is our thesis that, to a considerable extent, the enhancement of the effectiveness of policies, programmes and initiatives that embody that combat demands a deeper understanding of poverty. The eradication of poverty is not only a technical undertaking. It is technical as well as cultural and political. However, all these domains need a more scientifically consistent understanding of poverty, towards which this study aimed at contributing.

ANNEX

POVERTY GAP AND SOME MACROECONOMIC INDICATORS

	RURAL	URBAN

Persons (poor and non-poor)	7140879	2668021
Total (Mainland Portugal)	9808900	
Individuals poverty rate	20.6	22.3
Total of poor persons (Mainland)	1471021	594969
Persons/poor household (mean)	2.857	3.060
Poor households	514883	194434
Equiv. adults/poor household (mean)	2.205	2.333
Poor equiv.adults	1135317	453615
Poverty Line/equiv. adult (Escudos/year)	253196	340573
Mean gap/equiv.adult: - as % of PL	27.1	28.5
- value (Escudos)	68616	97063
DEFICIT (million Escudos)	77901	44029
Individuals non-poverty rate	79.4	77.7
Non-poor persons (Mainland)	5669858	2073052
Persons/non-poor household (mean)	3.135	3.075
Non-poor households	1808567	674163
Equiv.adults/non-poor household (mean)	2.374	2.346
Non-poor equiv.adults	4293538	1581587
Poverty Line/equiv. adult (Escudos/year)	253196	340573
Mean surplus/equiv.adult: - as % of PL	141.9	153.3
- value(Escudos)	359285	522098
SURPLUS (million Escudos)	1542605	825744
Mean equiv. consumption of non-poor (Esc.)	612455	862507
Consumption of non-poor (million Esc.)	2629599	1364130
Total consumption of non-poor(million Esc.)	3993729	
TOTAL DEFICIT (million Escudos)	121930	
TOTAL SURPLUS (million Escudos)	2368349	
TOTAL DEFICIT:		
as % of TOTAL SURPLUS	5.1	
as % of CONSUMPTION OF NON-POOR	3.1	
as % of GDP (1989)	1.7	
as % of GOVERN. CUR. EXPEND.(1989)	4.5	

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